S. HRG. 100-433

POVERTY IN THE 1980'S

HEARING

BEFORE THE

COMMITTEE ON LABOR AND HUMAN RESOURCES UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

FIRST SESSION

ON

EXAMINING POVERTY AND POLICY ISSUES IN THE 1980'S AND TO EXPLORE INNOVATIVE METHODS TO IMPROVE THE CURRENT POVERTY SITUATION IN THE UNITED STATES

OCTOBER 7, 1987

Printed for the use of the Committee on Labor and Human Resources

U.S. GOVERNMENT PRINTING OFFICE

81-186 WASHINGTON : 1988

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

S541-25

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POVERTY IN THE 1980'S

WEDNESDAY, OCTOBER 7, 1987

U.S. SENATE,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Washington, DC.

The committee met, pursuant to notice, at 11 a.m., in room SD-430, Dirksen Senate Office Building, Senator Edward M. Kennedy (chairman) presiding.

Present: Senator Kennedy.

OPENING STATEMENT OF SENATOR KENNEDY

The CHAIRMAN. We will come to order.

I first of all want to apologize to all of our witnesses. As they probably can detect, since many are old friends and familiar with our committee system, and the vote lights are still on, we have had two votes and they anticipate other votes on the Senate floor. I apologize to all of them for the delay. This is an extremely important hearing. I am very grateful to all of them for their willingness to come and add their intelligence and commitment and knowledge to one of the very considerable problems that we are facing in the country. I will make a brief opening statement and then we will go right to our witnesses' testimony.

We all recognize the names of that tiny handful of books like Silent Spring, which not only increase our understanding of the world, but so change our consciousness that we never look at the world the same way again.

Twenty-five years ago Mike Harrington wrote such a book. The Other America did not discover poverty, nor was Michael Harrington the first to observe that a part of America had been left behind in the post-war boom. But before the publication of this book, the evidence was easy to ignore, and the idea that we could do something about poverty was often lacking in our public debate. Michael Harrington changed all that, and America is in his debt.

In 1962, along with many of his fellow citizens, John F. Kennedy read The Other America and was moved to act. He helped to initiate a bipartisan commitment that became a major part of his New Frontier. The effort gained momentum, drawing on the energy and innovative spirit of the time. It was an effort that became a battle and then a war, a War on Poverty, a war that America began to win, and win big in the early years.

The percentage of the population living in poverty dropped from 22 percent in 1960 to 12 percent in 1969 and to 11 percent in 1973. It remained below 12 percent until the end of the 1970's. The poverty rate then began to rise again, by 1 percent in the final year of

the Carter Administration, and by another 1 percent in each of the first 2 years of the Reagan Administration. It peaked at 15.2 percent in 1983 and has now dropped back to 13.6 percent for 1986—about where it was when President Reagan took office.

Seven years into this Administration, the other America is hardly a distant memory. Its face is pressed against the window of our affluence. Today 32 million Americans live in poverty, and 20 million of them are children. Millions more struggle at the edge—sacrificing decent housing or essential health care in order to feed their families.

It is not the purpose of these hearings to assess partisan blame. There is ample fault to go around, in terms of programs that failed to fulfill their promise, leadership inadequate to the challenge, and unfair budget cuts in programs that might have worked if fairly tried.

Most of all, the battle against poverty has become a rear-guard action over the past decade, because of the continuing inability of Congresses and Administrations to deal responsibly with the national economy. A sound economy is the greatest social program America ever had, and it is indispensable to real progress in reducing the level of poverty in the future.

Our successes of the 1960's and early 1970's are an indictment of our failures of our present. The lesson of the past quarter century is that we can win the War on Poverty, but only if we decide to fight it, and only if we learn to fight it wisely.

We know how to provide jobs for those who are able to work and to care for those who are not. We know how to provide food for the hungry and homes for the homeless. We know how to deal with the other America by joining the two separate and unequal Americas we have today into one strong and just nation for the future. For in meeting and mastering the challenge of the other America, we shall also be creating a better America for all Americans.

At this time I introduce Michael Harrington, the author of The Other America which celebrates its 25th anniversary this year. Mr. Harrington, we are looking forward to your testimony. Mr. Harrington has been a good personal friend as well and we are glad to have you here before our Committee.

STATEMENT OF MICHAEL HARRINGTON, AUTHOR OF THE OTHER AMERICA, CO-CHAIR, DEMOCRATIC SOCIALISTS OF AMERICA, NEW YORK CITY, PROFESSOR OF POLITICAL SCIENCE, CITY UNIVERSITY OF NEW YORK

Mr. HARRINGTON. I am delighted to be here, Senator, and I am deeply grateful to you and the Committee for holding these hearings, because I think in the United States, particularly in the last three or four years, perhaps since the recession of 1982, there is a new conscience and consciousness of the problem of poverty, in part because it has increased and then not gone down very much.

I think it is therefore very important that we understand that problem.

In what I am going to say, I am going to try to go back to the role I played before I wrote The Other America. When I first published an article on poverty in 1959 in Commentary Magazine, at a

time when everybody thought this was the affluent society, people thought I was crazy. Only later after, as a result of President Kennedy, after the War on Poverty, after the efforts of Martin Luther King, after the impact of John the Twenty-Third, only then did I become a prophet with honor.

But what I want to do today, I hope, is to lose some of the honor and go back to being a bit of a prophet and saying some things which are difficult. In doing that, I do not want to criticize anybody in the Congress of the United States. Your job is to accomplish what is possible. My job is to try to change what is possible. And those are two different functions. But let me talk just a bit about why I think that we have to extend the frontiers of what we think is possible if we are going to deal with the problem of poverty in the United States.

I would like to begin by just very briefly saying something which I think a lot of Americans do not know—that largely our efforts to deal with poverty succeeded in the 1960's and early 1970's, and to the extent that they failed, they failed because, as Daniel Patrick Moynihan said at the time, they were oversold and underfinanced to the point that failure was almost a matter of design.

Secondly, I want to talk about why I think poverty today is more difficult to deal with than it was 25 years ago when I wrote The Other America. I think we have to be more innovative in the late 1980's and the early 1990's than we did in the 1960's.

Thirdly, I want to just touch very briefly on welfare reform. I will do all of this in about 10 minutes, so let's see how I do.

Number one, there is a widespread opinion that the programs of the 1960's all failed. The fact of the matter, in my opinion—and not in just my opinion, but I think in the opinion of every expert who has looked at the costs and benefits of the social programs of the 1960's—is that they all succeeded; some more than others, some less.

They were much more modest than most Americans think. The programs for the aging in the United States take about 10 times more money than the programs for the poor. At 59 years of age I am not about to knock programs for the aging. I think they are terrific. But the fact of the matter is we did not put that much money in, but what money we put in in the 1960's worked. Headstart worked. We now know that beyond a doubt. We know that children who had preschool education, 20 years later are less likely to be on welfare or in jail, and more likely to be working.

We, so to speak—if you want to put it this way—made money out our investment in education in the 1960's.

Jobs. The fact that the unemployment rate went down every year in the 1960's meant that the working poor were able to take the traditional American route out of poverty and work their way out of poverty. The tragedy today is that since 1979, the great increase in poverty has been among working people. It is not welfare mothers who have been growing in numbers so substantially. It is working people, hard working people. But in the 1960's it worked.

In the 1960's and early 1970's, by universalizing Social Security benefits, by raising the level of the benefits, and by indexing them against inflation, we cut the poverty of the aging in half.

By the way, we could, if we wanted to, end the poverty of the aging by doing the same thing, only better, right now. And I would caution that even though our progress was great in this area, there are many older Americans who are in deep poverty, particularly, very old women.

More and more people are living longer and longer lives in American society, and for so many of them the tragedy is their golden years are years of anguish and misery.

And finally, I have just hit on a couple of programs. This summer I was down in St. Petersburg, Florida talking to a bunch of poverty lawyers from the Southeast. These are dedicated lawyers who are giving legal services to the poor. It came out of the 1960's. It came out of the Economic Opportunity Act, out of Sergeant Shriver's Administration. And they are still helping poor people. So I think, number one, we succeeded, but we did not try hard enough. And number two, the sad fact of the matter is, the War on Poverty, I believe was lost in Vietnam. When our priorities changed in the 1960's, that was the end.

Secondly, why I think that poverty today is even more tenacious, more intractable than it was 25 years ago when The Other America came out, because our economy is changing profoundly. Because we are living through an unprecedented internationalization of the American economy. Because we are living through a time of automation. Because we are substituting relatively low-paid, non-union service jobs for industrial jobs. Because some of the steel workers that I have been visiting off and on for about the last four or five years in McKeesport, Pennsylvania—steel workers, union people, people with real pride, hard working people—they are now delivering pizza. They are now pumping gas.

And by the way, it is very hard to say whose poverty is worst, but there is no doubt that for those people who once thought they had it made, once thought they were securely and safely in the middle class and then get shoved down, there is a psychological dimension to that experience which is terrifying to them.

So we are in a new kind of economy. We are in an economy in which there are people out on the plains, people out in Kansas and Iowa, farm folks, who are getting Food Stamps. The most productive agriculture in human history and we have got farmers who are getting Food Stamps. Some people say, well, they were just stupid; they got greedy; they are getting what they deserve. They were victimized by the high interest rates with which this society fought inflation, in the wrong way, in my opinion, a policy which brought the automobile and construction industries to their knees and is now driving about 25 percent of the family farmers in the United States out of the field.

Finally, in terms of—well, two things—one is, I think that the evidence has now become overwhelming—and a new study that will be published by The Monthly Labor Review quite shortly by Larry Mishell really summarizes this—that since 1973 more than 50 percent of the new jobs have been low-wage jobs. They have been in the bottom third.

I know there is a big debate over whether Barry Bluestone and Bennett Harrison are right or wrong. I frankly believe that those of us who agreed with Bluestone and Harrison are now showing

that we can document our case. And I think that everybody knows the kind of jobs we are getting in the United States.

Related to that, one of the problems I think the Senate has, the Congress has, is that America will not be decent to the poor if the middle 60 percent are insecure and are not making gains themselves. One of the reasons we had a War on Poverty in the middle of the most prosperous decade in our history is because it was the most prosperous decade in our history and people felt, so to speak, that they could afford to help the poor.

And I think, therefore, that to solve the problem of poverty in America, we have to solve the problem of the middle class. That an insecure middle class which sees a lot of these jobs evaporating, which is fearful of what is going to happen to their kids, that middle class is not going to let the Congress of the United States deal with the problem of poverty. Therefore, I think those of us who are concerned with poverty have to be concerned not simply with the poor. We have to be concerned with everybody in this society.

The last point I want to make has to deal with the current debate on workfare. Now, let me say that I think it is quite possible that out of the workfare proposals some good things will come. I mean, one has to work with what one has. That is the job of a Senator. That is the job of a Congressperson.

And, for example, in the early 1970's I favored voting for Richard Nixon's Family Assistance Plan. I personally thought that it was the worst possible way to do a good thing, but that one should vote for it because it was a good thing, even though I felt it was the worst possible way to do the good thing. And it may well be that out of the current discussion in both the House and the Senate we will get some legislation that will win us some medical care for the poor, some daycare for the poor. But I have to say that as I read the evidence, I see no argument for compulsion.

I think one of the things the American people simply do not know is that most welfare mothers want to work. I think the evidence is overwhelming that the reason they do not work is because the jobs available to them, even often under programs which are pretty good programs, like ET in Massachusetts and GAIN in California, the jobs available to them, when you take into account the fact that they are going to lose Medicaid and Food Stamps, require them in order to work to take a cut in their standard of living and to reduce what they can do for their kids. They are not going to do it.

I do not think you need to kick those women to get them to work. I think if you give them the opportunity, which is to say the job, the daycare, the medical care that they need, I think they will work. I think also—and one has to say this—that there is a percentage of the welfare population—by the way, welfare families are only about one-third of the poor. Most Americans do not know, there are more poor families headed by a working person in the United States than there are poor families headed by a welfare mother. They do not know that.

But I have to also say that there is a minority of the welfare mother population which—they are in deep trouble—who have been really taken out of the labor market. And those people, we

are not going to help them by compulsion. We are going to help them by programs which I am afraid are going to cost money. And they, by the way, are the people on welfare who, in terms of Federal expenditure, cost the most.

In terms of the workfare argument, there was an article by Louis Ucatell in the Sunday Times business section week before last. And I think it tells us the new world we are in, where he points out that in Massachusetts—which has either the lowest unemployment rate, or certainly one of the lowest unemployment rates in the United States—more people are leaving the labor market.

And that is in violation of the entire conventional wisdom, because when the unemployment rate goes way down, people are supposed to go into the labor market. The problem is, we have all these people who—number one, it is a labor market that does not give them jobs where they can take care of their children. And number two, we have got another group of people who are not able to take the jobs that open up.

I think we are looking—as Business Week said not too long ago—we are looking at the possibility of a labor shortage in which there will be business looking for workers and millions of Americans who want to work and they do not match.

Finally, let me conclude on a totally uncharacteristic note. Jeremiah was not nonpartisan. And neither, in general, am I. But I am now involved in an effort called "Justice for All" which is bringing together Republicans, Democrats, independents, business people, trade unionists, activists from soup kitchens and women from the League of Women Voters, and we hope to have—and that is why I am so grateful for this hearing, maybe it will focus a little attention on this—we hope to hold on November 17th of this year a National Day of Awareness of Poverty.

Our model—although I have to honestly tell you we are not going to succeed that well—our model is Earth Day in 1970. And we, as a very broad non-partisan coalition in "Justice for All," we have no answer that we agreed to. All we agreed to is that it is important that the American people discuss, debate, hear all kinds of discordant voices, if you will, but begin to face up not simply to the issues of conscience, the moral necessity, but also to the issues of consciousness—what the problem is and what we should do about it.

I am hopeful that we in America, after a long period in which we sort of forgot the poor, I think maybe we are on the eve of a period when we are beginning to remember again.

I want to close by thanking you, Senator, for holding these hearings, because I think they might contribute to what I think is a very positive spirit in our country.

[The prepared statement of Mr. Harrington follows:]

Testimony of Michael Harrington

Senate Committee on Labor and Human Services

October 7, 1987

I want to speak today in the same way I did when I wrote The Other America a little more than a quarter of a century ago.

But that means I have to go far beyond The Other America, which has become a part of the conventional wisdom. That book turned into a work of honored prophecy, which makes one forget that it was originally a Jeremiad which scandalized the comfortable assumptions of that time.

I believe we need the spirit of Jeremiah again, for we are becoming a more separate and unequal society.

In August, the Census Bureau told us that the share of household income of the poorest fifth of the American people declined from 4.1% in 1970 to 3.8% in 1986, while the portion of the richest fifth rose from 43.3% to 46.1%. And the middle class slid from 52.7% to 50.2% of household income in the same period.

This means that after four full years of "recovery", at the end of 1986, "good times" had seen the gap between the best and the worst off Americans increase to the highest level since we began keeping records of this data in 1947.

Put another way, we took $6 billion in income away from the most desperate people in the land between 1980 and 1985 simply by reducing their utterly unfair share of our economic well being.

Can statistics document our need for a Jeremiah? These do.

But numbers are only numbers, cold and impersonal. Translate them into just a few of their human consequences. They mean that people are not homeless simply because that have severe mental and emotional problems - only a third of those on the streets fit into that category - but because they cannot pay for shelter in a society which reduces their income at the same time as it fails to build affordable housing, not only for the poor, but for the young families of the middle class as well.

We prefer to see spaced-out "bums" sleeping on the grates of our winter streets. We cannot stand to look the children of homeless families in the face, for if we did, we might have to commit resources to housing instead of just sympathizing with odd people.

Those Census numbers also suggest that the very nature of economic growth has changed, that the croissant sector can prosper even as the hungry must seek their daily bread in soup kitchens.

These are just a few of the reasons why I propose to be impolitic today.

Many of the members of this Committee know much, much more than I about how to make the necessary legislative concessions in order to make real-world gains for the poor. I respect that talent deeply for it is critical in a democratic society which will always fall short of utopia.

I, on the other hand, have the power of powerlessness. I hold no office and never will. I can therefore articulate impractical and even outrageous truths and, if the lightning strikes, as it did with The Other America, I too might even help the poor in my own way.

In this spirit, let me say three things.

First, the War on Poverty of the Sixties was not an expensive failure, as so many Americans believe. It was a woefully underfinanced success.

Secondly, poverty today is infinitely more tenacious than it was in the winter of 1963 when President Kennedy read The Other America and set in motion forces which were to change the national consciousness and policy a few years later.

Third, the present proposals for welfare reform may indeed lead to some day care and health insurance for the working poor- which is the group that has borne the overwhelming brunt of the qualitative leap in the poverty rate since 1979 - and that is very much to the good. But there is no cheap "workfare" way to deal with fundamental structures of inequality and misery. We have to ask, is our aim to move welfare mothers off the public rolls into poverty jobs - or is it to abolish poverty?

Finally, I will end this testimony in a conciliatory way very much out of keeping with my chosen role as a Jeremiah. I will ask the most conservative and skeptical members of the Committee, and every woman and man of good will, to join in a national day of awareness of poverty on November 17th. It is called Justice

for All.

I

In a famous interview on the day after his landslide victory in 1972, Richard Nixon said that the Sixties had "thrown money at problems." We had wasted huge amounts of public funds, he said, and we accomplished little or nothing.

Most Americans probably still think that Mr. Nixon was right. In fact, he was wrong on both counts.

The means-tested programs for the poor in the United States- not just Aid to Families With Dependent Children (AFDC), but Food Stamps, Medicaid and all the other in-kind outlays - are only a fraction of the age-tested measures, like Social Security and Medicare which go overwhelmingly to the non-poor. I do not begrudge the expenditures on the aging. I am a fifty-nine year old Jeremiah and moreover I am outraged that so many of our seniors, particularly very old women, continue to live their "golden years" in economic agony. But the fact is, as Senator Daniel Patrick Moynihan wrote in his study of the Family Assistance Program, the War on Poverty was "underfinanced and oversold" to the point that its failure to abolish poverty was all but a matter of design. And, I would add, of the wrong, unconscionable war in Vietnam.

But secondly, if we did not fight the "unconditional" War on Poverty announced by Lyndon Johnson in the State of the Union message of 1965, every one of the skirmishes we did conduct was a success.

A carefully controlled Michigan experiment has now revealed that this country did not simply facilitate richer, happier lives through Head Start; we also saved money because those who went through the program were much less likely to be unemployed or in prison.

We need to note that the universalizing of Social Security, along with raising and indexing the benefits, cut the poverty of the aging in half. We might ask why, if it is so relatively simple to deal with this problem, we don't immediately do away with the other half.

Last summer, I spoke to poverty lawyers from the Southeast at their annual conference in Saint Petersburg, men and women of dedication and decency who have taken very practical steps to make the poor of their region truly equal before the law.

And we know that the job training programs - most emphatically

including CETA - yielded, for all their faults, benefits much greater than their cost.

We did not, in short, fail in an all-out attempt to abolish poverty in the Sixties. We achieved significant, but very partial, successes in an effort which never began to live up to its rhetoric.

II

What I have just said about our successes is no reason for complacency. For poverty today is much more difficult to abolish than it was twenty five years ago.

Let me begin with a kind word for President Reagan. He did not create this situation. He made the worst of a bad reality by cutting the Food Stamps and raising the taxes of the working poor in 1981, but that reality itself would have existed if there were a liberal Democrat in the White House. It is the product of massive changes in the American economy.

We all know some of the determinants of those structural shifts: an unprecedented internationalization of the American economy by the multinational corporation; automation which allows us to produce the same percentage of manufactures in our GNP with a radically reduced work force; the transition from an industrial to a service occupational and income structure; the governmental and trade deficits and the dependence of the United States on foreign, primarily Japanese, finance; and so on.

I want to focus on one controversial trend in this process. There has been a debate going on for some time on the nature of the new jobs being generated in the American economy. To simplify a bit, studies by Barry Bluestone and Bennett Harrison have held that we are creating poverty jobs, and rebuttals by Janet Norwood, the Commissioner of Labor Statistics, and others in that agency have contested that thesis.

I do not for a moment want to suggest that the disputants have resolved their differences. I do believe that recent scholarship - most notably an article by Patrick McMahon and John Tschetter of the BLS in the September, 1986, Monthly Labor Review and a forthcoming study by Larry Mishell of the Economic Policy Institute in that publication - do agree that there has been a disproportionate growth in low-wage work.

That places two critical limits on social policy in the United States.

First, this country and its legislators will simply not treat

the poor with justice so long as the average citizen is seeing his or her real income declining. It is not an accident that the real value of AFDC and the income goods and services dropped dramatically during the Seventies when the buying power of most Americans also went down, or at best stagnated.

, That means, not so incidentally, that we cannot abolish the misery of the bottom twenty percent without doing something about the deteriorating situation of the middle sixty percent.

That is economically true in the sense that the kind of growth which would create jobs that would liberate the working poor of today from their poverty would also promote the well being of all working poor.

That is politically true in that Congress will only be able to do justice for the poor when the majority of Americans feel that they are getting a fair share too.

Secondly, if we allow the occupational and income structure to remain as it is, then the ladder out of poverty which served so many Americans so well - the ladder of hard work - will have the middle rungs sawed off, and our present trends toward a separate but unequal society will become institutionalized.

III

Let me apply some of these critical ideas to the fashionable social policy topic of the day: Workfare, the idea of getting welfare mothers off the public rolls and into the labor market.

To begin with, it is well to remember that only one-third of the poor are on welfare (defined as AFDC). So even if one were to totally eliminate the poverty of this group, that would not begin to end poverty in America.

Secondly, we now know - and the General Accounting Office usefully summarized the evidence earlier this year - that between two-thirds and three-fourths of the welfare mothers want to work, indeed that half of them leave the system voluntarily in less than two years by taking a job or getting married. They have no need of compulsion. If there were jobs plus medical care plus day care they would enter the paid labor force on their own motion. But those three preconditions all require vigorous government action and the expenditure of considerable sums of money. Under present circumstances I expect neither. Poverty's future is assured for a while at least.

Thirdly, there is a somewhat confusing statistical anomaly which tells us that the plight of a minority of welfare

recipients who are not prepared to go into the paid labor market will not yield to coercion. Imagine a hospital ward with ten beds. Nine of them are filled with chronic, year round, patients. The other bed is successively occupied by fifty two individuals who stay a week each. Eighty five percent of the people in the ward - fifty two our of sixty one - are transient; only 15% are chronic. But the cost of the 15% is greater than that of the 85%.

So with the welfare mothers. It would be relatively easy- and require no compulsion whatsoever - to move the overwhelming majority of them into jobs if, but only if, the conditions I specified are met. But it will be hard - and take time and money and not just a kick in the pants - to deal with the problems of the minority, many of whom have been totally marginalized in an economic sense.

Finally, it is clear that simple economic mechanisms will not do the work of the social imagination under present conditions. That is, even in those states with relatively low rates of joblessness, wages have not risen as the standard economic theories of the past say they should. It is no longer - if it ever was - sufficient to simply generate jobs. We have to generate jobs which liberate people from poverty - and raising the minimum wage back to its 1981 real value is a first step in that direction - and which utilize America's most precious resource, its educational and skill potential, in a world economy in which we cannot afford to win a competition to see what nation can treat its workers most miserably.

This Jeremiah, in short, believes that the problem of poverty is just one symptom of an American economy struggling, thus far not too well, to deal with a new economic world. I therefore do not simply propose that we do justice to the poor. I say that, in order to do that, we have to do justice to all of America, that the poor are but the first and most vulnerable victims of a transformation which will afflict us all if we do not act. I ask you, in the name of the common interest and of the excluded, the outcast, the homeless, and the hungry to commit this nation once again to the abolition of poverty. And this time, to honor that commitment.

V

I hope what I have said has disturbed Democrats as well as Republicans, liberals as well as conservatives. But I ask all of us, whatever our ideology, to agree to do something on November 17th, 1987.

There is a coalition called Justice for All. It is supported

by the leaders of all of our religious faiths, by business people and trade unionists, by minorities and women activists and whites and men. It does not endorse what I have just said - or indeed any point of view on the subject of poverty.

It simply asserts that the heart of the American people is generous and has become more and more concerned with the plight of the poor in recent years, but that the head of the American people is often vague, and sometimes even uninformed, about the facts and issues.

On November 17th, there will be teach-ins and on the previous Sabbath, sermons; the poor will get a chance to tell their own story, to recount their successes as well as their miseries; there will be vigils and demonstrations and debate giving voice to every point of view. Like Earth Day in 1970, Justice for All Day in 1987 seeks, not this or that legislation, but a raising of the national consciousness, a heightened awareness which, in a democratic society, is the precondition of all legislative change.

Whatever our differences, I hope that, on November 17th, we can reconsecrate ourselves to one of the noblest ideals of this nation, to Justice for <u>All</u>.

81-186 0 - 88 - 2

The CHAIRMAN. Thank you very much, Professor Harrington.

I want to indicate how much Senator Mikulski wanted to be here this morning. She is meeting with the victims and their families of the tragic train crash in Chase, Maryland. I will put her statement in the record.

She asked me to mention to you how important your book was in terms of her own life. She indicated that it literally changed her life. It led her to be active in community organizing, led her to focus her energies on the War on Poverty and ultimately led her to run for the city council, the House of Representatives and, of course, the Senate. In many large and small ways you have touched a chord in hundreds if not thousands of others like her and the country is better for her work and for yours.

I will put her full statement in the record and also the statement of Senator Simon.

[The statements referred to follow:]

BARBARA A. MIKULSKI
MARYLAND

United States Senate
WASHINGTON, DC 20510-2003

OPENING STATEMENT

BEFORE THE

COMMITTEE ON

LABOR AND HUMAN RESOURCES

ON

POVERTY AND POLICY IN THE 1980'S

OCTOBER 7, 1987

IN THE EARLY 1960S I WAS WORKING WITH THE DEPARTMENT OF PUBLIC WELFARE. I WAS A CHILD NEGLECT AND CHILD ABUSE WORKER. MY SUPERVISOR WAS MADELINE O'HARE, WHO TOOK THE PRAYER IN SCHOOL CASE TO THE SUPREME COURT. IN THE COURSE OF OUR DISCUSSIONS, SHE NEVER REALLY HAD US DEAL WITH THE RULES AND REGULATIONS OF THE WELFARE DEPARTMENT. SHE SAID WE'RE GOING TO WORRY ABOUT THE COURT AND THE POOR, AND SHE HAD US READ THIS BOOK CALLED THE OTHER AMERICA BY MICHAEL HARRINGTON.

WHAT WE WOULD DO WAS READ THE BOOK AND WE WOULD TAKE A LOOK AT WHAT THE SITUATION WAS OF THE POOR. WE WOULD TAKE OUR DAY TO DAY EXPERIENCES WITH THE POOR AND SEE WAS IT THE PROBLEM WITH THE POOR -- DID THEY NEED COUNSELING -- OR WAS IT THAT WHAT WE NEEDED WAS INSTITUTIONAL CHANGE.

DURING THE PROCESS OF READING THE HARRINGTON BOOK AND ANALYZING WHAT I WAS DOING I KNEW WE NEEDED GROWTH IN THE AREA WHERE MY HEART AND MY ENERGIES WANTED TO GO. THAT WAS INTO THE AREA OF INSTITUTIONAL CHANGE. THAT'S WHY I WENT AND GOT A MASTERS DEGREE IN SPECIALIZED AND COMMUNITY ORGANIZING AND SOCIAL STRATEGY. AND THAT'S WHY I'M A UNITED STATES SENATOR NOW.

THEY TOOK ME INTO THE STREETS AND INTO THE NEIGHBORHOODS AS AN ORGANIZER -- ORGANIZING PEOPLE FOR SELF HELP AND BRINGING ABOUT INSTITUTIONAL CHANGE.

WHEN I READ MICHAEL HARRINGTON'S BOOK CALLED THE OTHER AMERICA IT WAS ABOUT HIS EXPERIENCES IN NEW YORK LIVING AT THE CATHOLIC WORKER HOUSE OF HOSPITALITY THAT HAD BEEN STARTED BY DOROTHY DAY. SHE ALSO HAD TREMENDOUS IMPACT ON ME. AS A YOUNG CATHOLIC IDEALIST, SHE SHOWED ME ONE THING THAT GOES TO THE HEART OF MY PHILOSOPHY: ONE PERSON CAN MAKE A DIFFERENCE, AND A GROUP OF PEOPLE WORKING TOGETHER CAN BRING ABOUT CHANGE.

THE DIFFERENCE BETWEEN NOW AND THEN, THOUGH, WAS THAT WE HAD UPBRIDLED OPTIMISM. WE HAD A KENNEDY IN THE WHITE HOUSE. THERE WERE BOOKS TALKING ABOUT THE "AFFLUENT" SOCIETY AND THAT WE COULD FIGHT THE WAR ON POVERTY THAT WE COULD WIN.

TWENTY FIVE YEARS LATER, WE ARE FACING THE DOWN-SCALING OF AMERICA, IN TERMS OF ECONOMIC GROWTH. THE PROFILE OF THE POOR HAS CHANGED. BUT THE CHALLENGES WE FACE TODAY ARE IN MANY WAYS THE SAME WE FACED BEFORE: MAKING SURE THAT AMERICA CONTINUES TO MOVE AHEAD, AND THAT AS WE DO NO ONE IS LEFT OUT OR LEFT BEHIND. PERHAPS THE BIGGEST DIFFERENCE IS THAT WE MAY BE RUNNING OUT OF TIME AND MONEY TO MEET THIS CHALLENGE.

I AM AN AMERICAN IN SPIRIT, A SENATOR BY OCCUPATION, A DEMOCRAT BY CHOICE -- AND AN OPTIMIST BY NATURE. WHEN I LISTEN TO THE DEBATES ON THE SENATE FLOOR, SOMETIMES I GET REALLY CONCERNED ABOUT WHETHER THIS NATION UNDERSTANDS THE NEEDS OF THE FUTURE. WE MUST MAKE SURE TODAY AND IN THE FUTURE THAT THE OTHER AMERICA NEVER BECOMES MOST OF AMERICA.

I BELIEVE WE ARE AT A CRITICAL POINT IN OUR HISTORY. WE ARE 12 1/2 YEARS FROM THE YEAR 2000, THE START OF A NEW MILLENIUM. THE WORLD IS A VERY DIFFERENT PLACE FROM WHAT IT WAS WHEN MOST OF US WERE BORN. OUR SOCIETY HAS CHANGED DRAMATICALLY. AND THE WORKFORCE IS GOING THROUGH PERHAPS ITS MOST SIGNIFICANT CHANGES SINCE THE INDUSTRIAL REVOLUTION.

TODAY THERE ARE TWO AMERICAS. UNLESS WE USE THE FULL TALENTS OF EVERY SINGLE AMERICAN WE FACE THE SPECTER OF A PERMANENT UNDER CLASS IN OUR SOCIETY. WE WILL BE REPEATING THE MISTAKES OF SOME EUROPEAN NATIONS, THAT ARE FORCED TO BRING IN GUEST WORKERS TO FILL THEIR EMPLOYMENT NEEDS, WHILE MILLIONS OF THEIR OWN PEOPLE REMAIN UNEMPLOYED OR UNDEREMPLOYED. THAT'S NOT WHAT I WANT FOR THIS COUNTRY, AND THAT'S NOT WHAT YOU WANT EITHER.

I DON'T WANT MY COUNTRY TO TAKE THE WRONG PATH. AND I DON'T BELIEVE WE WILL. I'M LOOKING FORWARD TO THIS NEW CENTURY WITH OPTIMISM AND DETERMINATION. I KNOW THAT IF WE ASK THE RIGHT QUESTIONS, THE AMERICAN PEOPLE WILL ARRIVE AT THE RIGHT ANSWERS. MICHAEL HARRINGTON ASKED THEM TWENTY FIVE YEARS AGO AND WE'RE BRINGING THEM UP AGAIN HERE TODAY. I WANT TO MAKE SURE THAT ALL OF US ARE INVOLVED IN FRAMING THE ANSWERS. I WANT TO MAKE SURE THAT WE FIND AN END TO THE TWO AMERICAS. AND I WANT TO MAKE SURE THE OTHER AMERICA NEVER BECOMES MOST OF AMERICA.

Paul Simon

OPENING STATEMENT OF SENATOR PAUL SIMON (D.IL.)
POVERTY AND POLICY IN THE 1980's AND BEYOND -- A CELEBRATION
OF "THE OTHER AMERICA"

OCTOBER 7, 1987

MR. CHAIRMAN, I WANT TO JOIN YOU TODAY IN WELCOMING A DISTINGUISHED AUTHOR AND SOCIAL SCIENTIST, MICHAEL HARRINGTON, AUTHOR OF THE OTHER AMERICA, BEFORE THIS COMMITTEE. IT IS NOT THE FIRST TIME AND I DOUBT THAT IT WILL BE THE LAST TIME HE WILL APPEAR HERE. HIS PERCEPTIONS, INSIGHTS AND THOUGHTFULNESS, AS WELL AS HIS ABILITY TO SPELL OUT THE PROBLEMS -- NO MATTER HOW UNCONFORTABLE IT MAKES US -- ARE SO VALUABLE TO THIS COMMITTEE AND TO THE CONGRESS.

IN ADDITION TO THE 25TH ANNIVERSARY OF THE PUBLICATION OF HIS BOOK, WE ARE ALSO NEARING THE TWENTIETH ANNIVERSARY OF THE KERNER COMMISSION REPORT -- THE REPORT OF THE NATIONAL COMMISSION ON THE CAUSES AND PREVENTION OF VIOLENCE -- IN FEBRUARY OF 1988. THE THRUST OF THE OTHER AMERICA AND THE FINDINGS OF THE KERNER COMMISSION REPORT PARALLEL EACH OTHER. UNFORTUNATELY, MUCH OF WHAT BOTH THE BOOK AND THE REPORT HAVE TO SAY ABOUT OUR PROBLEMS AND OUR PROGRESS, AS WE SEEK TO ESTABLISH RACIAL AND ECONIMIC JUSTICE, IS NOT GOOD. WE STILL HAVE A LONG WAY TO GO!

THE MEMBERS OF THIS COMMITTEE ARE IN THE FOREFRONT OF THE FIGHT AND OUR CHAIRMAN IS LEADING THAT FIGHT ON MANY FRONTS. EDUCATION AND EMPLOYMENT ARE TWO KEYS TO THE SOLUTION AND THEY ARE BEING DISCUSSED AND DEBATED IN THIS COMMITTEE AS PART OF THE REAUTHORIZATION OF THE ELEMENTARY AND SECONDARY EDUCATION ACT, INCREASING THE MINIMUM WAGE AND GUARANTEEING JOBS FOR EVERY AMERICAN, PROVIDING FOR RE-TRAINING FOR DISLOCATED WORKERS, AND REFORMING OUR PRESENT WELFARE SYSTEM.

The Chairman. Let me just ask you a couple of questions.

You talk about the increasing polarization in terms of our economy and the society. I think that is a well-stated part of your testimony. What ideas or suggestions or recommendations do you have to try and deal with that?

Mr. HARRINGTON. Well, I think that, Senator, one of the ways is certainly raising the minimum wage. One of the ways is creating an economy in which you do not have this—one of the reasons why we are polarizing, one of the reasons why the inequality in the United States today is greater than at any time since we began to keep records in 1947, is because we have had such an enormous growth of these low-wage jobs, such an enormous growth of the working poor.

And therefore, I think, to attack the problem of inequality, we also have to attack the problem of jobs, wages, minimum wage. As you pointed out, and I completely agree, the minimum wage today is 25 percent less in real terms than it was in 1981 when we fixed it at $3.35 an hour.

Secondly, I frankly believe that although I think I would have voted for the 1986 tax act, mainly because it took the poor off the tax roles—although I would have noted that the 1981 tax act helped to put them on—and what the 1986 tax act did was it brought us back to the Utopia we were living in under Jimmy Carter.

The fact is that the 1986 tax act—as people like Richard Musgrave, who is one of the leading academic experts on public finance pointed out—is more regressive. We still do not have progressive taxation in this country. So I am not for increasing taxes. I am for increasing taxes on those able to pay.

I think we have to bite that bullet and I think that, by shifting the burdens—the tax burdens—mainly off of the middle class, which is where they are disproportioned, on to those best able to pay, I think that begins to reverse some of the trends which became particularly marked under the Reagan Administration. So I think tax policy, full employment policy—I think these are some of the ways in which we can at least begin to reverse this very disturbing trend toward inequality in the United States.

The CHAIRMAN. Really the projections in terms of employment—the figures I have seen—are not getting a good deal better. Moreover, the growth industries for the country over the period of the next ten years are basically in these low-income jobs as well, are they not?

Mr. HARRINGTON. Right. The Bureau of Labor Statistics about two years ago did a projection of job increase from the early 1980's to 1995. And one of its conclusions was that all of the new computer jobs, which actually go up very fast in percentage terms, when you looked at the absolute numbers, all of the computer and computer-related jobs were far less than the number of new jobs for building superintendent.

Now, I come from a city—New York—which has got union building superintendents and it is a fairly decent job. In a lot of places it is not. And I think we are in a great danger in this society of an economy that will get—a private economy that will general in-

equality as a natural byproduct of its operation if we let these trends go.

That is why I think that educating people at the base, a real full employment policy creating jobs is a key to abolishing poverty and abolishing the growing inequality in our society.

The CHAIRMAN. I had seen somewhere fairly recently a comparison of the disparity in terms of wealth among the industrial countries and my figures may be somewhat off, but using a constant figure, the disparity between the top 5 percent and the lowest 5 percent were about maybe three or four to one in the early 1960's in Europe. I think France was about four and a half to one, Germany about four and a half to one, and the United States just about comparable.

But now we are about ten to one. Japan is still about three and a half to one. Europe has varied somewhat. Maybe this is saying what you have already said very well, but this flow line, in terms of the disparity, is rather dramatic. And I am wondering, first of all, whether that is in line with your understanding. And secondly, what is that going to mean in terms of social pressure? I mean, is that going to reflect in increasing tensions in our society? Does it make our society more effective in dealing with some of the underlying basic core problems that we are facing? Does it make it easier, or more difficult? What kind of stress or tensions does it suggest?

Mr. HARRINGTON. Well, just two comments, Senator. One is that in the current Brookings Review from the Brookings Institution there is a fascinating article by Gary Burtless on poverty, comparing poverty of the countries. And it is not just the figures that you bring out.

The United States for some time—the last time I looked we were—I think the difference between the top and the bottom quintile was eight to one; in Japan it was five to one. And there are various numbers. Ours have now gotten worse.

But the Brookings article points out that in terms of poverty, in every area, comparing the United States with Britain, Canada, West Germany, Norway and Sweden, with one minor exception, which is the elderly in Britain are actually not as well off as here because that is one of the areas where we have done pretty well. But if you look at, for example, the poverty of children, the United States has a higher poverty rate for children than any one of those countries. We are at 17.1 percent; Sweden is at 5.1.

Working age adults, same thing. Aging, with the exception of Britain. So I think that we are falling behind Europe. We have been behind them, but we are falling even further behind.

Secondly, I think that one of the problems which I see teaching at Queens College, City University of New York, where most of my students are students who are the first generation of their family ever to go to college. They do not come from affluent families for the most part. They come from working families. They come to college because they want to get into the great American middle class and they view their college degree as their entry ticket into the great American middle class.

And increasingly they understand that it is being made tougher and tougher and tougher for them. What frightens me is that when

things get tough one response is solidarity, because people help one another. Another response is that everybody tries to save themselves and forget about anybody else. And I think that unless we deal with these problems now when there is still time, that for example when the next recession comes—and I do not know when it is coming, but I am absolutely convinced it is coming, as is most of the business community—I think this society could find itself facing very serious tensions without having thought through what it should be doing about some fundamental economic restructurings going on.

I think we are in a period of restructuring as profound as any that has happened in a hundred years. And I do not think there is a lot of time left.

The CHAIRMAN. Let me just ask you this question. From your long study of this whole problem, do you think people are less generous today, or do you think it is just a failure of leadership at all levels to really reach out to their fellow citizens?

Mr. HARRINGTON. I think that the survey evidence from the polls is very clear. Most Americans are as generous as they have always been. I think this country is fundamentally an exceedingly and generous and decent country. I think that many people in America today whose hearts are in the right place do not have their heads in the right place yet. That is to say, their heads are filled with myths about the lazy welfare mothers and they do not know that two-thirds of the poor people in the United States are White.

Blacks are outrageously poor in terms as being three times as poor as Whites, but the fact of the matter is most poor people are White. Most Americans do not know that. They think poverty is just a Black problem, it is just a welfare mother problem. They do not know it is a White problem and a working-poor problem; that it is not only a female problem, it is a male problem.

And so that is why in "Justice for All" this November 17th, if we do nothing more than make the American head as enlightened as the American heart is generous, I think that then creates the base where you and the other leaders of the Congress of the United States will be able to do a lot more than you can right now.

The CHAIRMAN. Well, you have certainly laid out the challenge for us, not just for the Congress, but for the country. I think that you will continue to do that and do it very effectively. It is important for your voice to be heard and listened to and hopefully we can get some positive response in dealing with these issues about which you, for so many years, have both studied and spoken so eloquently.

We thank you very much for your presence here and for your testimony.

We are going to take just a two-minute recess.

[Brief recess.]

The CHAIRMAN. The hearing will come back to order.

We will move to our next panel. Unfortunately Mayor Washington will not be with us this morning, but we want to welcome the panel: Mary Jo Bane, who is Director of the Center for Health and Human Resources Policy at the John F. Kennedy School of Government at Harvard University where she is a Professor of Public Policy—if they would be kind enough to come forward—Robert

Greenstein, who is the Director of the Center on Budget and Policy Priorities here in Washington; and Ruth Messinger, a member of the New York City Council.

We are glad to have all of you here before us. I want to thank Ruth Messinger very much, as well. We know of her good works and she has been a special friend and we are delighted to have her here this morning.

Let's begin with Dr. Bane.

STATEMENTS OF MARY JO BANE, PH.D., DIRECTOR, CENTER FOR HEALTH AND HUMAN RESOURCES POLICY, JOHN F. KENNEDY SCHOOL OF GOVERNMENT, HARVARD UNIVERSITY, CAMBRIDGE, MA, PROFESSOR, PUBLIC POLICY; ROBERT GREENSTEIN, EXECUTIVE DIRECTOR, CENTER OF BUDGET AND POLICY PRIORITIES, WASHINGTON, DC; AND RUTH MESSINGER, MEMBER, NEW YORK CITY COUNCIL, 4TH COUNCIL DISTRICT, NEW YORK CITY

Dr. BANE. Thank you, Senator. I am Mary Jo Bane from the Kennedy School of Government at Harvard. I am honored to be appearing here with and in honor of Michael Harrington, who has been an inspiration to so many of us who work in this field. I am also delighted to be speaking before your Committee in an effort, I hope, to focus new national attention on poverty in the 1980's.

Twenty-five years ago Michael Harrington told this country the story of "the other America." He pointed out that even in the affluent society created by the economic boom of the 1950's there remained at that time about 40 million Americans cut off from that prosperity. Twenty-five years later, as we note the anniversary of that important book, Harrington's major themes, unfortunately, still ring true. The other America is still with us—32 million poor in 1986.

The poor, today as then, have different faces and different stories to tell. Many of the poor are still invisible, isolated from the rest of us geographically or socially. But the faces of poverty have changed considerably from the early 1960's. Some groups are much less likely to be poor than they were then, partly, as Michael Harrington pointed out, because Government responded to their plight and because we have in fact been successful.

Moreover, the invisibility of the poor has to some extent been lessened as television and other mass media have brought their stories to millions of nightly news viewers. Unfortunately, while television and vivid journalism can write the dramatic chapters, they are not always as good as telling the full story. For example, recent journalistic attention to the poverty of the "underclass" in inner city ghettos may have led people to believe that the poverty of America in the 1980's is solely a problem of the welfare mothers, of the pregnant teenagers of Washington Post reporter Leon Dash's powerful descriptions of Washington's poor neighborhoods, of the troubled unmarried mothers and their children in New York City's shelters, and of the famous Timothy, the irresponsible young father of the Bill Moyers show.

These images stay in the minds of people as they think about policy, leading them sometimes to forget the other groups. So let

me try to point out a little bit of this diversity, looking at what part of the poverty problem is actually accounted for by inner city neighborhoods. This is not to diminish the problems of the cities but to point out, as Michael Harrington did also, that policy built on and directed only at them will miss the majority of poor in America.

Poverty in America has, since the 1960's, increasingly become an urban phenomena. In 1986, 70 percent of the poor lived in urban areas. This figure and the dramatic journalism coming out of the cities make it easy to believe that poverty is now a problem of urban slums, isolated concentrations of the poor, family instability, welfare dependency and high crime rates. But that is simply not true.

To see why you need to look at two questions: First, how many of the poor indeed live in inner city poverty neighborhoods? The notion of an inner city poverty neighborhood is a complicated one and incorporates ideas about housing conditions, crime, behavior and so on. In the work that I am doing on inner city poverty now with Paul Jargowski and that I am reporting on here today, we use a simpler conception defining inner city poverty neighborhoods as places within large central cities where substantial proportions of the residents are poor and have relatively few better-off neighborhoods.

Now, we do know that in 1986 the 70 percent of the poor in urban areas was made up of 40 percent in the central cities and 30 percent in suburban areas. Almost a third of the poor in the mid-1980's live—mostly unnoticed—in places where they are a small minority among their relatively affluent neighbors. And even within cities themselves, central cities are large entities, including the upper East Side as well as Harlem, Beacon Hill as well as Roxbury.

To be more precise in talking about them, we need a way of identifying areas of large concentrations of the poor, places like the heart of Harlem, Oakland and Grand Boulevard in Chicago, Anacostia in Washington. Using a definition of concentrated urban poverty that includes census tracts with poverty rates of 40 percent or more, we find that in 1980 only 7 percent of the nation's poor lived in such neighborhoods. The vast majority of the poor, even the urban poor, lived dispersed in suburbs, small towns and cities, or mixed-income neighborhoods of central cities.

The number of the poor who lived in inner city poverty neighborhoods did increase by about two-thirds between 1970 and 1980. However, most of that growth was concentrated in just a few cities—New York, Chicago, Philadelphia, Detroit. It seems to have resulted from a deteriorating regional economy, and from city-specific patterns of building and turnover in the housing stock. It is not clear what will happen in the 1980's and the 1990's. Some of those cities have turned around.

The second question is whether poverty in these poor inner city neighborhoods is qualitatively different from poverty in other places. If children in these neighborhoods are much more likely than others to experience family instability, a lack of employed adult role models or failure in school, then it makes sense, perhaps,

to design intensive preventive programs directed specifically at these neighborhoods.

There are indeed dramatic differences between the conditions of life in concentrated poverty neighborhoods and those in the non-poor neighborhoods of large cities. Nearly two-thirds of the children in very poor neighborhoods are in female-headed families; fewer than half the men over 16 are employed; 41 percent of the families receive public assistance.

But poor black children wherever they live are very likely to face the disadvantages of family instability, welfare receipt, and parents out of the labor market. Seventy-one percent of poor black children not in these inner city neighborhoods were in female-headed families in 1980. Fifty-six percent of poor black adults in non-poor neighborhoods were out of the labor force, 39 percent receiving public assistance.

These numbers are higher in extremely poor neighborhoods, in some cases substantially higher. But there are, I think, important lessons from looking at the data. Being poor and black brings serious disadvantages, whether you are in a rural area, a suburb, a largely working-class area, or a central city ghetto. And disadvantage is not confined to central city poverty areas or to welfare mothers, even among blacks. Only 8 percent of poor children lived in inner city poverty neighborhoods in 1980. Less than 20 percent of the long-term welfare recipients live in these neighborhoods.

Why is all of this important? Well, I think first to remind us again, as Michael Harrington did in 1962, and did so well again today, that poverty in America has many faces. The working poor, a group largely forgotten in most policy discussions, still accounts for the largest proportion of poor children. In our enthusiasm for welfare reform or prevention strategies directed at poor neighborhoods, it is easy to ignore what we can and should do for other groups, especially those hit by the economy in the ways that Harrington has described.

Second, it is important to think about how a misleading stereotype about the poor might distort our analysis of appropriate policies. The most obvious distortion comes if we think about geographically targeted services, small programs, as a *solution* to the poverty problem. We might be tempted to put all our efforts and resources into programs which have modest probabilities of success at best and are bound to reach only a tiny minority of the poor. We might be tempted to forego some sensible strategies like job search and child support enforcement, because we think they would have little effect on the toughest neighborhoods. We might forget the educational disadvantages of the majority of poor children because the problems of some inner city schools seem so serious.

This is not meant to suggest by any means that policy should ignore the problems of city poverty. But most of our effort, it seems to me, should be going into programs that speak to the needs of the poor more broadly: general strategies for economic growth; tax and benefit policies to aid the working poor; preschool and compensatory education; child support enforcement; welfare reform efforts focused on education, employment and training.

Twenty-five years ago Michael Harrington helped turn our nation's conscience to the other America. Much that we can be proud

of has been done in that intervening 25 years. Partly because of his prodding and our response, the faces of poverty in the 1980's are different, less likely to be elderly, more likely to be children, more likely to be working poor.

But the other America is still with us, and I am happy to see, Senator, that your Committee is again recognizing and focusing our attention on this problem. The poorest neighborhoods of our nation's cities are an important challenge for policy, but we must be careful not to forget that the poor are not just those in the ghettos but all around us; unemployed workers, farmers, women and their children after family breakup. We must work to meet all their needs.

Thank you.

[The prepared statement of Dr. Bane follows:]

"THE OTHER AMERICA" IN THE 1980s

TESTIMONY PRESENTED BY

MARY JO BANE

JOHN F. KENNEDY SCHOOL OF GOVERNMENT
HARVARD UNIVERSITY

TO

UNITED STATES SENATE

COMMITTEE ON LABOR AND HUMAN RESOURCES

OCTOBER 7, 1987

Twenty-five years ago, Michael Harrington told this country the stories of "the other America." He pointed out that even in the "affluent America" created by the economic boom of the 1950s there remained about 40 million Americans cut off from that prosperity. Unlike the poverty of the Depression, which was all too visible in its widespread effects, the poverty of the early 1960s was mostly hidden from public view. The poor were diverse in who they were and why they were poor; they were similar in that they were hard to see and easy to ignore.

Michael Harrington told us their stories. He told us about workers who lost their jobs when industries moved from their cities; about rural hamlets where the poor scratched out a living; about ethnic slums and housing projects whose residents were cut off from society and preyed upon each other. He told us the stories of the elderly poor, the metally ill, the alcoholics and the urban hillbillies.

Twenty five years later, as we note the anniversary of his important book, Harrington's major themes sadly still ring true. The "other America" is still with us: 32 million poor in 1986. The poor, today as then, have different faces and different stories to tell. Many of the poor are still

invisible: isolated from the rest of us geographically or socially.

But the faces of poverty have changed considerably from the early 1960s. Some groups are much less likely to be poor than they were then, partly because government responded to their plight. These successes should encourage us to face the problems of other groups that are now much more likely to be poor, and that pose new and difficult challenges to the conscience of the nation. Moreover the invisibility of the poor has to some extent been lessened, as television and other mass media have brought the stories of the poor to millions of nightly news viewers.

Unfortunately, while television and vivid journalism can write the dramatic chapters, they are not as good at telling the full story. They sometimes unwittingly mislead us, by leading us to think that the dramatic picture they have shown is the whole problem. Recent journalistic attention to the poverty of the "underclass" in inner city ghettos is a good example. Many people have come to believe that poverty in America of the 1980s is a problem of the pregnant teenagers of Washington Post reporter Leon Dash's powerful descriptions of Washington's poor neighborhoods, of the troubled unmarried mothers and their children in New York City's shelters, and of Timothy, the irresponsible young father that Bill Moyers interviewed in Newark. These

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images often stay in the minds of people as they think about policy, with--I believe--unfortunate results.

Before I turn to policy questions, let me first try to point out just how small a part of the overall poverty problem is accounted for by the urban underclass. I do not wish to diminish their plight, but to point out that policy built on and directed only at them will miss the majority of the poor in America. The stereotyped picture also misrepresents the character of poverty in the inner cities.

In 1959, according to Census Bureau counts, 56 percent of those Americans with incomes below the poverty line lived in rural areas. In 1980, 30 percent of the poor lived in rural areas. This dramatic change came about partly because of the continuing overall movement of Americans, rich and poor, from rural to urban areas. It also came about, however, because the poverty rate in rural areas fell relative to the national poverty rate, an improvement that occurred mostly during the 1960s.

The decline in rural poverty, in and of itself, has meant that since 1960, poverty in America has increasingly become an urban phenomenon. In 1986, 70 percent of the poor lived in urban areas. This figure, and the dramatic journalism coming out of the cities, make it easy to believe that poverty in America is now a problem of urban slums, with isolated concentrations of the poor plagued by family

instability, negligible employment, welfare dependence and high crime rates. But that is simply not true.

To see why, we need to answer two questions. The first question is how many of the poor live in neighborhoods that can plausibly be defined as urban ghettos. The second question is whether the poor in these neighborhoods face qualitatively different conditions or live in fundamentally different ways from the poor in in other parts of the city, in the suburbs or in rural areas, in terms of family stability, work and schooling. I believe the answers to both questions will surprise you.

First, how many of the poor live in inner city ghettos? The notion of "ghetto" is a complicated one for many people, incorporating ideas about housing conditions, crime and behavior. A simpler conception, however, defines inner city poverty neighborhoods as places within large central cities where substantial proportions of the residents are poor--places where poor people have relatively few better-off neighbors--leaving open the questions of living conditions and characteristics of the residents other than income.

To start with, we know that in 1986, the 70 percent of the poor in urban areas was made up of 40 percent in central cities and 30 percent in suburban areas. Almost a third of the poor in the mid-1980s live, mostly unnoticed, in places where they are a small minority among their relatively affluent neighbors.

Does that 40 percent of the poor in central cities then represent the ghetto? No: central cities are large entities, including the upper east side as well as Harlem, Beacon Hill as well as Roxbury. To be more precise, we need a way of identifying areas where large concentrations of poor people live together, with relatively few of the better off in their neighborhoods. The Census allows us to do that for 1980, by identifying in the 100 largest cities those census tracts in which at least 40 percent of the population have incomes below the poverty line. (A census tract is a geographical unit akin to a neighborhood usually containing 2000 to 4000 people.) While some might argue that a higher (or lower) level of poverty is a more appropriate cutoff for defining ghettos, the 40 percent figure does a good job of capturing those areas usually considered ghettos: the heart of Roxbury in Boston, Oakland and Grand Boulevard in Chicago, and Anacostia in Washington. Using this definition of concentrated urban poverty, we find that in 1980 only 7 percent of the nation's poor lived in such neighborhoods. The vast majority of the poor, even the urban poor, lived dispersed in suburbs, small towns and cities, or mixed income neighborhoods oflarge central cities.

The number of the poor who lived in inner city poverty neighborhoods did increase by about 67 percent between 1970 and 1980, raising the question of whether concentrated urban poverty might not be a rapidly growing

problem, likely to worsen dramatically over the next decade. However, the growth in concentrated poverty during the 1970s was itself a highly concentrated pheonomenon. Nearly half of the total increase occurred in just one city: New York. Four large northern cities--New York, Chicago, Philladelphia and Detroit--accounted for three quarters of the toal growth. Most cities experienced stability or small growth in their ghetto poor; some, especially in the south and west, saw declines. Where growth occurred, it seems to have resulted from a deteriorating regional economy combined with city specific patterns of building and turnover in the housing stock. What the next decade will see can only be predicted by looking at the economic forturnes of specific cities--many of which have turned around from low points in the 1970s. At this point, there is no evidence for expecting dramtic general growth in inner city poverty during the 1980s.

The second question is whether poverty in these inner- city neighborhoods is qualitatively different from poverty in other places, perhaps requiring specially designed welfare strategies or intensive spatially targetted efforts in education, health and economic development. Are the conditions of life dramatically different for residents of inner city poverty neighborhoods, especially for the children growing up in them? If children in these neighborhoods are much more likely than others to

experience family instability, a lack of employed adult role models, or failure in school, then it might make sense to design preventive programs directed at these neighborhoods.

This is a hard question to answer. There are indeed dramatic differences between the conditions of life in concentrated poverty neighborhoods and those in the non-poor neighborhoods of large cities (defined as census tracts with poverty rates less than 20 percent). Children are far more likely to be in female-headed families in ghettos--nearly two-thirds are, compared to fewer than one in five in non-poor neighborhoods. In non-poor neighborhoods, three-quarters of the men over 16 are employed while fewer than half are employed in extremely poor neighborhoods. While 89 percent of families in non-poor neighborhoods have earnings and only 7 percent receive some form of public assistance, in concentrated poverty neighborhoods only 64 percent have earnings and 41 percent receive public assistance.

These dramatic numbers can be misleading. They do not tell you whether the neighborhoods exacerbate the problems of the poor, or whether they simply contain large proportions of poor people with their attendant problems. Poor neighborhoods, by definition, contain large proportions of poor people. Moreover, they are largely black or Hispanic: only 12 percent of the residents of central city

poverty neighborhoods are non-Hispanic whites. And poor black children, wherever they live, are very likely to face the disadvantages of family instability, welfare receipt, and parents who are out of the labor market. Seventy-one percent of poor black children in non-poor city neighborhoods were in female headed families in 1980; 56 percent of poor black adults in non-poor neighborhoods were out of the labor force; 39 percent of poor black families in non-poor neighborhoods received public assistance. All these numbers are higher in extremely poor neighborhoods, in some cases substantially higher. The most dramatic difference is for welfare receipt. Sixty-one percent of poor families in 40 percent poor neighborhoods have income from public assistance, compared with 39 percent of poor black families in non-poor neighborhoods.

But there are two important lessons that emerge from the numbers. Being poor and black brings serious disadvantages, whether in rural areas, suburbs, largely working class areas, or central city ghettos. And disadvantage is not confined to central city poverty areas, even among blacks. Only 8 percent of poor children lived in such areas in 1980. Only about one-fourth of the poor black female headed families lived in inner city poverty neighborhoods. A maximum of 16 percent of long term welfare recipients lived in the worst neighborhoods of our large cities.

Why is all of this important? First, to remind us again, as Michael Harrington did in 1962, that poverty in America has many faces. The working poor, a group largely forgotten in most policy discussions, still accounts for the largest proportion of poor children. Despite the enormous progress made in Social Security, the elderly and disabled are still an important minority among the poor. Rural poverty is still a serious problem. In our enthusiasm for welfare reform or for prevention strategies directed at disadvantaged neighborhoods, it is easy to ignore what we can and should do for these other groups.

Second, it is important to think about how a misleading stereotype about the poor might distort our analyses of approrpiate policies. The most obvious distortion comes if we think about geographically-targetted services or employment programs as a solution to the poverty problem. We might be tempted to put all our efforts and resources into job development or teen pregnancy prevention programs in a few neighborhoods--programs which have limited probabilities of success at best, and are bound to reach only a tiny minority of the poor. We might be tempted to forgo sensible strategies like job search and child support enforcement because we think, probably correctly, that they would have little effect on the toughest neighborhoods. We might forget the educational

disadvantages of the majority of poor children because the problems of some inner city schools seem so serious.

This is not meant to suggest that policy should ignore the problems of concentrated poverty in the nation's cities. A number of cities have very serious employment, housing and crime problems that deserve special attention. But most of our effort, it seems to me, should be going into programs that speak to the needs of the poor more broadly: general strategies for economic growth; tax and benefit policies to aid the working poor; pre-school and compensatory education; child support enforcement; welfare reform efforts focussed on employment and training.

Twenty-five years ago Michael Harrington turned the nation's conscience to "the other America." Much that we can be proud of has been done in the intervening twenty-five years. Partly because of his prodding and our response, the faces of poverty in the 1980s are different. But "the other America" is still with us. I am happy to see that this nation is once again recognizing the problem. The poorest neighborhoods of our nation's cities are a small but important challenge for policy. We must be careful, however, not to forget that the poor are not just those in the ghettos, but people all around us: unemployed workers, farmers, women and their children after family breakup. We must work to meet all their needs.

The CHAIRMAN. Thank you very much.

Robert Greenstein, we are delighted to have you back. You have been enormously helpful to us in some areas—many areas—but especially in job training and welfare reform and related issues. We are glad to hear what you have to say about this subject matter this morning.

Mr. GREENSTEIN. Thank you, Mr. Chairman. I am Robert Greenstein, Director of the Center on Budget and Policy Priorities here in Washington.

I am also very pleased to be here today. I was thinking, as I was listening to the earlier testimony, of a number of years ago when I was teaching high school near Boston. One of the books that I assigned was Harrington's book, and we also showed the film that was made from the book. I remember the gripping impact that it had on students then.

Michael Harrington has been an inspiration to all of us, and I am also glad to be here in this particular Committee on the 25th anniversary of The Other America because many of us appreciate that you, Senator, have remained committed to this cause, even during those years earlier in this decade when it was not as fashionable to do so and a number of your colleagues did not focus as much attention on it. But you never flagged and we appreciate that.

I am sorry to say here today that 25 years after the publication of The Other America that poverty remains disturbingly high in our country. We often hear it said by the Administration, among others, that the poverty rate has declined in the last three years. But that decline, which came as a result of economic growth, has actually been rather disappointing. The 13.6 percent poverty rate in 1986 is significantly higher than the poverty rate for any year in the 1970's and it is unusually high for the fourth year of an economic recovery. In 1978, also the fourth year of a recovery, the poverty rate was 11.4 percent and 8 million fewer Americans were poor than were poor last year.

Second, and this often does not get enough attention, the Census data indicate that those who are poor have been growing poorer. I believe it is important to look at the data on the poverty gap, which is the amount by which the incomes of all who are poor fall below the poverty line which many of us regard as one of the best measures of poverty. If we simply talk about the number of people who are poor or the percentage who are poor, we do not distinguish between those who were $500 below the poverty line and those who were $5,000 below.

The poverty gap does make that distinction; it is of particular concern that in 1986, while the number and the percentage of Americans who were poor declined slightly, the poverty gap actually increased. This means that although the number of poor people fell a bit, the decline was more than outweighed by the extent to which those who were poor grew poorer.

The poverty gap was $49.2 billion in 1986. In 1977 it was $32.1 billion. In other words, it has grown 50 percent, after adjusting for inflation, since 1977.

If you look at the Census data on how far the average poor family falls below the poverty line, we find that the family now

falls farther below the poverty line than at any time since 1963, except for the recession and high unemployment years of 1982 and 1983.

And, finally, in 1986 the proportion of the poor who fell into what we might call the "poorest of the poor" category—those with incomes below half the poverty line—reached its highest level in more than a decade.

Why are these factors occurring? One popular explanation is the changes in family structure and increases in the number of female-headed families. But in explaining the increase in poverty over the past decade, the importance of that factor is often overstated.

The Census data and research by people such as Mary Jo Bane show that the changes in family structure are not the principal cause of the poverty surge. In fact, during this period in which poverty has grown, if you compare 1978—which is the lowest point in the poverty rate in the last ten years—to 1986, poverty was actually less feminized in 1986 than in 1978, rather than more so. Thirty-eight percent of all poor people lived in female-headed families in 1978; 37 percent did in 1986.

If you look at it another way, if you take the total increase in the number of poor people from 1978 to 1985—the latest year for which we have these data—28 percent of that net increase occurred in families with children headed by a female. There was actually a much larger increase in families with children headed by both parents.

Perhaps the most in-depth examination of this issue is that conducted several years ago by Dr. Bane. In examining the increase in poverty between 1979 and 1983, when it was the largest, she found that during that period increases in female-headed family formation—and I am quoting her—"contributed almost nothing to the sharp increase in poverty."

The CHAIRMAN. May I just—I do not want to interrupt you but I will on this point. That surprises me, because much of the dialogue these days seems to indicate an enormous growth of unwed mothers in the inner cities and of the number of single heads of household with small children. But it does not sound like it is reflecting itself in the kinds of figures that you have talked about here.

Mr. GREENSTEIN. Let me make two comments, and again, Dr. Bane is really the expert on this more than I am.

First, poverty became considerably more feminized from 1960 through the late 1970's. While poverty rates were much lower in the late 1970's than they were in 1960, there is no question that they would have dropped further had it not been for increases in female-headed families and more feminization of poverty during that period.

However, when we look at the large increase in poverty over the past decade, we find that while these demographic factors probably have contributed some to it and in the period after the one Dr. Bane examined (1983–86) as the economy improved, one of the reasons why poverty did not drop more than it did is this factor you mentioned.

But the point I am making is that this factor gets significantly over-emphasized. It is not the major cause in the increase in poverty over the last decade. The two major factors over the last decade

which I will talk about are the economy and reductions in benefits. These family structure changes probably have to come in third place.

What disturbs me is I think sometimes they are put in first place because then one can say that is individual behavior and there is nothing we can do in terms of public policy. In point of fact, the two largest factors are ones that are more amenable to being affected by public policy than this one and we need to keep that in mind.

Dr. BANE. Bob has stated it very well. I think the important thing to keep in mind is that since 1979 there have been very large increases in poverty among two-parent families and working poor families.

The CHAIRMAN. Okay.

Mr. GREENSTEIN. These data that we have just been talking about showing the limited impact of changes in family structure on poverty rates in recent years really should not come as a surprise because the dominant factor in poverty trends has long been the performance of the economy. And almost every year that unemployment has fallen and real wages have risen, poverty has declined. And almost every year that unemployment has risen and real wages have decreased, poverty has grown.

What happened from the late 1970's through 1986 was first and foremost a disappointing performance by the U.S. economy, at least as far as low-income Americans are concerned. Consider the following figures. From 1980 through 1986 the unemployment rate averaged 7 percent or more every year for 7 consecutive years, the only time that has happened since the 1930's. Secondly, there was a change in the composition of the unemployed population and the number of long-term unemployed, the group of the unemployed with the highest poverty rate. The number of the long-term unemployed was 45 percent greater in 1986 than in 1980. The average duration of unemployment also increased substantially and is much higher now than it was in the late 1970's.

In fact, the figures on long-term unemployment and average duration of unemployment are unusually high for this point in an economic recovery. You cannot just look at the unemployment rate. You have to look at other unemployment figures as well, and some of the others have improved much less than the overall unemployment rate. For example, the Labor Department data also showed that the number of people looking for full-time work but able to find only part-time jobs has grown sharply.

Accompanying these trends, as Michael Harrington mentioned, has been downward pressure on wages. Real wages today are lower than in any year in the 1970's. These factors—increased rates of unemployment, longer duration of unemployment——

The CHAIRMAN. In real dollars. You are talking about real dollars?

Mr. GREENSTEIN. In real dollars. These factors—increased rates of unemployment, longer duration of unemployment and lower wages—help explain the rapid increase in poverty among the working poor, along with budget cuts aimed particularly at the working poor.

And as has been noted earlier today, the fast growing group in the poverty population over the past decade has not been the welfare poor whose ranks have essentially been stable. It has been the working poor. The number of prime working-age individuals, people aged 22 to 64, who work but are still poor has increased by 50 percent since 1978. The number of prime working-age people who work full time year around and are still poor has increased by 57 percent since 1978. There are an estimated 6 million individuals in households where someone works full time year around but the household is still poor, and that includes more than 2 million children.

In addition to the economy, the other major factor behind the poverty surge of recent years appears to be a marked decline in support provided to families through Government benefits. As you know, over the past quarter century as Social Security benefits were raised, indexed and expanded to cover a growing share of the elderly population, and as SSI was created, poverty rates among the elderly plummeted. Similarly, in the 1960's, when AFDC benefits rose in real terms and unemployment remained low, poverty among families with children fell markedly. But in the period since 1970, in which AFDC benefits declined in real terms and unemployment rose and remained at high levels, poverty among families with children soared.

In a typical state, AFDC benefits for a family of four with no other income are now about one-third lower than in 1970, after adjustment for inflation. In addition, new Census data show that the Government benefit programs are now lifting a much smaller proportion of families with children out of poverty than they used to. In 1979—the first year for which we have these data—the programs lifted out of poverty one out of every five families with children that would have been poor without them. Today they lift out of poverty one out of every nine families with children that would have been poor without the programs.

During the period since 1979 the number of poor families with children grew from 4.1 million to 5.5 million, an increase of more than a third. The Census data show that one-third of that increase among families with children would not have occurred if Government benefits simply lifted out of poverty the same proportion of poor families of children today that they did in 1979.

There are many factors involved here. The decline in AFDC benefits is one that I noted. Another that often does not get as much attention, the unemployment insurance program, reached only 33 percent of the unemployed—one in every three—last year, the lowest percentage reported in the program's history. And as you know, today as we sit here, the Senate Appropriations Committee has just passed an appropriations bill that would cut the low income energy assistance program by 32 percent next year—the largest cut in any low-income benefit program in six years.

Now, to finish, the principal conclusion that I am trying to draw is that the performance of the economy and retrenchments in benefit programs have been the primary factors behind the large increase in poverty since the late 1970's. This, I think, has important implications.

For example, one implication is that while preventive programs that are increasingly popular—like Headstart, WIC, Chapter I, welfare-to-work programs, teenage pregnancy prevention and the like—can be very effective and certainly should be expanded, they are not likely, by themselves, to have large impacts on poverty rates. They are an important component of an anti-poverty strategy, but if they are the whole agenda we should not be surprised to not see very large changes from what we have today.

Large impacts on poverty rates generally result from lowering unemployment rates, raising wages, raising benefit levels, extending benefit coverage or otherwise increasing income through such means as expanding the earned income tax credit or increasing child support collections.

I do not mean to minimize the importance of other interventions but in the absence of more jobs in the economy, higher wages or more benefits or child support payments, the effect of other interventions is likely to be limited. I mention this because I think the critical importance of these factors is often under-emphasized. This is particularly true among some policy makers who state and appear to believe that increases in benefits for poor families would simply lead to more out-of-wedlock births or other counterproductive behavior and increase poverty rather than reduce it.

I think it is time to lay that belief to rest. Landmark research by Dr. Bane and her colleague, David Ellwood, has found that welfare payments are not responsible for increases in out-of-wedlock births and have little relation to birth rates for single parents. Research has also found that while welfare benefits are associated with some reduction in work hours, the effect is small. And as Ellwood really summed it up, our nation is engaged in a major national experiment in recent years in which AFDC benefits were set at widely differing levels across the country and in which we found from this experiment that the principal effect of low benefit levels is not to reduce out-of-wedlock births or spur increases in unemployment, but rather to further impoverish low-income families and their children.

I would close with one final and more hopeful note. One factor adversely affecting unemployment and poverty rates for a number of years was the large increases—as you well know on the Labor Committee—in the number of entrants in to the labor force—women and "baby boomers" looking for jobs. The economy could not create jobs as fast as the labor pool grew. Unemployment rates rose and poverty rose.

Today the number of youth entering the labor force is shrinking and will continue to shrink, at least through the middle of the next decade, and labor markets are becoming tighter. That means the prospects of finding employment for low-income and minority youth may improve significantly.

But there is a potential problem here. Many of these youth may still not be able to find jobs because they lack the necessary skills. There is a danger of a growing mismatch between the skill requirements for jobs that are available and the skills that potential workers possess, and Secretary Brock has talked about this.

I think it is important to know—here is the point I am trying to make—that employment and training programs had mixed results

in the 1970's, and that is often brought up and cited. But that was in a period when the excess of workers over the number of available jobs meant that programs to upgrade skills were not likely to have large impacts. In the 1990's, when labor markets will be tighter, programs to upgrade basic skills and build human capital may have significantly greater impact and could be of particular importance and I think it would be critical to regard them as part of any effort to boost employment and deal with poverty in the years ahead.

Thank you.

[The prepared statement of Mr. Greenstein follows:]

TESTIMONY OF

ROBERT GREENSTEIN
DIRECTOR, CENTER ON BUDGET AND POLICY PRIORITIES

before the

SENATE COMMITTEE ON LABOR AND HUMAN RESOURCES

October 7, 1987

I appreciate the invitation to appear before you today. I am Robert Greenstein, director of the Center on Budget and Policy Priorities, a non-profit research and analysis organization located here in Washington, D.C. Since its founding in 1981, the Center has concentrated primarily on issues related to poverty and the low income population.

Twenty-five years after the publication of *The Other America*, poverty remains disturbingly high in the U.S. An examination of the latest Census data shows just how serious the poverty problem is.

First, although the poverty rate has declined modestly in the last few years as a result of economic growth, the decline has been somewhat disappointing. The 13.6 percent poverty rate for 1986 is significantly higher than the poverty rate for any year in the 1970's -- and is unusually high for the fourth year of an economic recovery. In 1978, also the fourth year of a recovery, the poverty rate was 11.4 percent and 24.5 million Americans lived in poverty, some eight million fewer than in 1986. Similarly, in 1977 and 1980, the unemployment rate was at about the same rate as in 1986 -- but the poverty rate was significantly lower.*

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*It should be noted that the rise in poverty over this period is *not* a result of a failure to include non-cash benefits in the Census Bureau's official poverty measure. The Census Bureau publishes four alternative measures of poverty that include the value of non-cash benefits and has compiled data on the extent of poverty under these alternative measures for each year back to 1979. The data show that under every one of these four, alternative measures, poverty has increased *faster* since 1979 than it has under the official measure of poverty.

Second, the Census data indicate that the poor have been growing poorer and falling deeper into poverty. This is shown by Census data on the "poverty gap."

The "poverty gap" is the total dollar amount by which the incomes of all who are poor fall below the poverty line. In 1986, the poverty gap was $49.2 billion. Many analysts believe that the Census data on the "poverty gap" provide one of the best measures of poverty. The more frequently cited statistics on the number and percentage of Americans who are poor have the shortcoming that they fail to distinguish between a family with income $500 below the poverty line and a family $5,000 below this line. The poverty gap, by contrast, reflects these distinctions.

It is disheartening to note that although the number and percentage of people living in poverty declined slightly in 1986, the poverty gap *increased*. This means that although the number of poor people fell a bit, this decline was more than outweighed by the extent to which those who were poor grew poorer.

Moreover, the poverty gap of $49.2 billion in 1986 compares with a poverty gap of $39.5 billion in 1980 and $32.1 billion in 1977. (The figures for 1977 and 1980 are adjusted for inflation and expressed in constant 1986 dollars.) In other words, the poverty gap has grown *by more than 50 percent since 1977.*

The Census data also show that families which were poor in 1986 fell an average of $4,394 below the poverty line. The average poor family now falls further below the poverty line than at any time since 1963, with the exception of the recession and high unemployment years of 1982 and 1983.

A final piece of evidence indicating that the poor have grown poorer is Census data showing that in 1986, the proportion of the poor who fall into what we might call the "poorest of the poor" category -- those with incomes below

half the poverty line (or $5,600 for a family of four) -- reached its highest level in more than a decade. Some 39.2 percent of all people who were poor in 1986 (or 12.7 million people) had incomes below half the poverty line.

Why Has This Occurred?

Statistics such as these lead to questions concerning why these developments have occurred. To frame policies to address this situation, we need to understand the causes.

Let me start with a popular explanation for the rise in poverty -- changes in American family structure and increases in the number of female-headed households. The message I would like to convey here is a simple one: in explaining the increase in poverty over the past decade, the importance of changes in family structure has often been overstated. The Census data and research by such leading poverty analysts as Dr. Mary Jo Bane, my colleague on this panel, show clearly that changes in family structure are not the principal cause of the poverty surge.

During the period in which poverty has grown -- the period since 1978 -- poverty actually became slightly less "feminized," rather than more so. In 1978, 38 percent of all poor people lived in female-headed families. In 1986, some 37 percent did. Similarly, the proportion of all poor children who live in female-headed families is slightly lower today than in 1978.

In fact, people in non-elderly female-headed families with children comprised less than 28 percent of the increase in poverty from 1978 to 1985 (the latest year for which these particular data are now available). By contrast, some 47 percent of the increase in the poverty population during this period occurred in families with children headed by a non-elderly married couple or a non-elderly male. (The

remainder of the increase in poverty occurred among single individuals and families without children).

Probably the most in-depth analysis of this issue is that conducted a few years ago by Dr. Bane. She examined the increase in poverty between 1979 and 1983, when the poverty rolls swelled by nearly nine million people, and found that increases in female-headed family formation "contributed almost nothing to the sharp increase in poverty" that occurred in these years. Analyses by researchers at the Urban Institute and the Institute for Research on Poverty at the University of Wisconsin also found that other factors were more important in explaining the large increase in poverty since the late 1970's.*

The Importance of the Economy

The data showing the limited impact that changes in family structure have had on poverty rates in recent years should not come as a surprise. The dominant factor in poverty trends has long been, and continues to be, the performance of the economy. In almost every year that unemployment has fallen and real wages have risen, poverty has declined. In almost every year that unemployment has risen and real wages have decreased, poverty has grown. (The research in the field also shows that when the economy turns down, it is black men who are hurt the most.)

What happened from the late 1970's through 1986 was, first and foremost, a rather dreary performance by the U.S economy, at least as far as low income Americans are concerned. From 1980 to 1986, the unemployment rate averaged

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*It should be noted that increases in the proportion of families headed by a single female appears to have had somewhat larger impacts on poverty rates during the period from 1960 until the late 1970's. Poverty declined during this period, but would have declined more if female-headed family formation had not increased so sharply. Poverty generally became more feminized throughout this period.

seven percent or more for seven consecutive years, the only time this has happened since the 1930's. Moreover, the composition of the unemployed population shifted, and in ways that further increased poverty rates.

Specifically, the group of the unemployed that has the highest poverty rate -- the long-term unemployed (those out of work more than six months and still looking for a job) -- was 45 percent higher in 1986 than in 1980. The average duration of unemployment in 1986 was 15 weeks, about 26 percent longer than the 11.9 week average in 1978, despite the fact that both 1978 and 1986 were the fourth years of economic recoveries. The figures for 1986 on long-term unemployment and on the duration of unemployment are highly unusual for this stage of a recovery. In addition, Labor Department data also reveal that the number of people looking for full-time work but able to find only part-time jobs has grown sharply.

Accompanying these unemployment trends has been downward pressure on wages. Even now in 1987, as we celebrate the length of the economic recovery, real wages (median weekly wages of full-time earners) are lower than in any year in the 1970's.

These factors -- increased rates of unemployment, longer duration of unemployment, and lower wages -- help explain the rapid increase in poverty among the working poor. Despite the current focus on welfare recipients, the fastest growing segment of the poverty population over the past decade has not been the welfare poor (whose ranks have not increased) but rather the working poor.

The number of prime working-age individuals (people age 22 to 64) who work but are still poor increased by 50 percent from 1978 and 1986 and now exceeds 6.8 million people. These people work more than 30 weeks of the year, on

average, but do not escape poverty. (If persons below 22 and over 64 are included, the total number of working poor is 8.9 million people, an increase of more than one-third since 1978.)

Moreover, the number of prime working-age people who work *full-time year-round* and are still poor stood at 1.8 million in 1986, a 57 percent increase since 1978.

The numbers of those affected by the increases in the ranks of the working poor are even greater than these statistics indicate, because many of these poor workers support dependents. For example, there are more than two million poor children living in families where a worker is employed full-time year-round but the family remains poor. Overall, there are an estimated six million individuals in households where someone works full-time year-round, but the household falls below the poverty line.

Government Benefits

The other major factor behind the poverty surge of recent years appears to be a marked decline in the income support provided to families through government benefits. This decline has resulted both from the failure of states to keep AFDC benefits up with inflation and from benefit retrenchments made at the federal level.

It is well known that over the past quarter century, as Social Security benefits were raised and indexed for inflation and also expanded to cover a steadily growing share of the elderly population, and as the SSI program for the elderly poor was created, poverty rates among the elderly plummeted. Similarly, during the 1960's, when AFDC benefits rose in real terms (and unemployment remained low), poverty among families with children fell markedly. But in the period since 1970, when AFDC benefits fell in real terms and unemployment

climbed and then remained at high levels, poverty among families with children skyrocketed.

In the typical state, AFDC benefits for a family of four with no other income have fallen about one-third since 1970, after adjustment for inflation. No other segment of the U.S. population has lost so much government support during this period.

Moreover, Census data show that government benefit programs now lift out of poverty a much smaller proportion of families with children than they did in 1979. In 1979, the first year for which Census data on the anti-poverty impact of government programs are available, nearly one of every five families with children who would otherwise have been poor (19 percent of these families) was lifted out of poverty by benefit programs such as AFDC, Social Security, or unemployment insurance. In 1986, by contrast, only one of every nine families with children (11 percent of these families) was lifted out of poverty by such programs.

During the period from 1979 to 1986, the number of poor families with children climbed from 4.1 million to 5.5 million, an increase of 35 percent. It is clear that the declining impact of government programs was an important factor contributing to this trend.

Indeed, one-third of the increase in poverty among families with children since 1979 would not have occurred if government benefits programs had as much impact in 1986 in removing families from poverty as they did in 1979. Census data show that if the benefit programs had simply continued in 1986 to lift out of poverty the same proportion of otherwise poor families with children as in 1979, nearly half a million fewer such families would have been poor in 1986.

There is ample data on the extent and impacts of the reductions in these programs. Since 1979 alone, AFDC benefits for a family of four with no other income have fallen approximately 20 percent in the median state, after adjusting for inflation, according to the Congressional Research Service. In addition, the General Accounting Office found that 440,000 low income working families were terminated from the AFDC program (and in many cases from Medicaid rolls as well) by the 1981 budget cuts, and that these families suffered substantial income losses as a result. Furthermore, the unemployment insurance program, which used to provide benefits to close to half the unemployed, reached only 32.7 percent of the unemployed, or less than one in three, in an average month in 1986. This represents the lowest percentage of the unemployed to receive unemployment insurance benefits recorded in the program's history.

To be sure, several other factors also appear to have contributed to the lessened impact of government benefits in lifting families with children out of poverty (such as changes in the economy that may have reduced the earnings of some poor families and shifts in the composition of the poverty population). But the data point strongly to retrenchments in the benefit programs at both federal and state levels as a predominant factor here. In the late 1970's and early 1980's, when inflation was quite high, AFDC benefits eroded substantially in real terms. Then in 1981, large federal budget cuts were enacted that disproportionately affected programs for the poor. The Census data show that the years in which the greatest decline in the anti-poverty impact of government benefits occurred were precisely the same years as those in which inflation was highest or in which the budget cuts enacted in 1981 took effect.

I would note that earlier analyses by researchers at the Urban Institute and the Institute for Research on Poverty also found reductions in benefit programs

to be one of the principal factors in the large increase in poverty since the late 1970's.

Conclusions

The principal conclusion is that the performance of the economy and retrenchments in benefit programs have been the primary factors behind the large increase in poverty in recent years. This is a conclusion that has important implications for public policy in the years ahead.

For example, one of the implications of this finding is that while preventive programs that are increasingly popular (such as Head Start, community health centers, WIC, Chapter I, and welfare-to-work programs, as well as fledgling efforts at teenage pregnancy prevention and the like) can be effective and should be expanded, they are not likely, by themselves, to have very large impacts on poverty rates.

Large impacts on poverty rates generally result from lowering unemployment rates, raising wages, raising benefit levels, extending benefit coverage, or otherwise increasing income such as through an expansion of the earned income tax credit or substantial increases in child support collections. I do not mean to minimize the importance of other interventions -- but in the absence of more jobs in the economy, higher wage levels, or more benefits or child support payments, the effect of other interventions is likely to be limited.

I am concerned that in the current debate, the critical importance of these factors is often underemphasized. This is especially true of benefits. In fact, some policymakers appear to believe that increases in benefits for poor families would simply lead to more out-of-wedlock births or other counterproductive behavior and increase poverty rather than reduce it.

It is time to lay this unfounded belief to rest. Landmark research by Dr. Bane and her colleague, David Ellwood, has found that welfare payments are not responsible for increases in out-of-wedlock births and have little relation to birth rates for single parents. Research has also found that while welfare benefits are associated with some reduction in work hours, the effect is small. As Ellwood has observed, our nation has engaged in a major national experiment in recent decades, in which AFDC benefit levels were set at widely differing levels across the country, and in which we found that the principal effect of low benefit levels has not been to reduce out-of-wedlock births or spur large increases in employment, but rather to further impoverish low income children and their families.

A final and more hopeful note:
the changing demographic picture for youth

I would like to close on a hopeful note. One factor adversely affecting unemployment and poverty rates for a number of years was the large increase in the numbers of new entrants into the labor force, as women and the baby boom generation began to look for jobs. The economy could not create jobs as fast as the labor pool grew, and unemployment rates rose.

Today, the number of youth entering the labor force is shrinking and will continue to shrink at least through the middle of the next decade. Labor markets are becoming tighter. Prospects of finding employment for low income and minority youth may improve significantly.

Yet there is a potential "fly in the ointment" here. Many of these youth may still not be able to find work, even in tighter labor markets, because they may lack the necessary skills. As the number of jobs requiring manual labor continues to decline and the number of jobs requiring an ability to follow written

instructions and to reason increases, an increasing "mismatch" may develop between the skill requirements for jobs that are available and the skills that potential workers possess. Secretary of Labor Brock has been among those warning of this danger.

This is a quite different situation than has prevailed in the recent past, when the excess of workers over available jobs meant that programs to upgrade skills were not likely to have large impacts. In the 1990's, when labor markets will be tighter, programs to upgrade basic skills and build human capital may have significantly greater impacts than in the past and be of particular importance.

In short, we may face a "window of opportunity" created by the declining number of youth entering the labor force. If we fail to take advantage of this window, we may not get another such opportunity for some time. In the years ahead, efforts to upgrade basic skills should be regarded as an essential ingredient of efforts to increase employment, especially for low income and minority populations.

The CHAIRMAN. Ms. Messinger, we are glad to have you.

Ms. MESSINGER. Thank you very much, Senator.

As a District Council Member from Manhattan for ten years, as a professional social worker and an instructor in social policy, I consider myself privileged to be here for this occasion.

Today, 25 years after the publication of The Other America, and despite the substantial changes that it wrought, the phenomenon of another America is still very much with us. Today's poverty is different in certain respects, but here, still growing and more entrenched. You know its dimensions well. Allow me to spotlight them as they exist in New York City, emphasizing the multiple crisis for our children, and then discuss briefly where we may go from here.

New York is a city of gold for those at the top and a city of despair for many others. The statistics overwhelm. Today 1.7 million New Yorkers live at or below the poverty line—an increase of 44 percent since 1970. Where 14 percent of the United States lives in poverty, just about one-quarter of New York does. And the rate is 32 percent in black New York and 43 percent among our Hispanic population.

A full 40 percent of our children—two out of every five—are poor. The rate of poverty for children in New York is more than twice the rate of poverty for the elderly and is more than two and a half times the poverty rate for children in the rest of the United States. Just under 900,000 New Yorkers—or one in every eight people—is on public assistance. In the last decade, the value of their grant has fallen 40 percent and the consumer price index has risen 88 percent. Benefit levels which in 1975 put these families at the poverty line now leave them 36 percent below it.

As my colleagues have suggested, there are now huge numbers of New Yorkers who fall into that abyss that is above public assistance and below the poverty level. Most of them are from families with a full-time wage earner. Wages in our new highly-touted service industry jobs are often too low to move a family out of poverty, and rarely include health insurance. Thirty percent of New York's poor families, including 100,000 children, exceed Medicaid eligibility and have no health benefits whatsoever.

Poverty in New York is especially a crisis for the growing number of families headed by women. They suffer particularly from occupational sex segregation, gross wage inequity, and the lack of affordable child care. In New York today full-time licensed publicly funded daycare is available to only 20 percent of the eligible children under six, and to only six and a half percent of the eligible children under three.

The CHAIRMAN. Could you give me those figures again?

Ms. MESSINGER. Full-time licensed publicly funded daycare is available to only 20 percent of the eligible children under six and only six and a half percent of the eligible children under three.

The CHAIRMAN. And what percent of their parents are working?

Ms. MESSINGER. Eligible is defined as working or enrolled in a two-year vocationally oriented academic program. This is an issue that we are fighting in the current Senate welfare bill, trying to expand coverage for the 15 thousand women on AFDC in our City

University system who are being bounced out despite their efforts to get a degree to enter the workforce.

We spend in New York $200 million of federal and city dollars for child care services, which is less than we now provide each year in property tax abatements for luxury development. We have gross educational problems, a large number of young people leaving school and becoming parents with no realistic hope of entering the workforce.

Last year, more than 20 percent of the mothers of students entering kindergarten had given birth as teenagers, and most of them had never finished school. Our health crisis is equally severe. Our infant mortality rate is way above the national average.

The CHAIRMAN. I heard a figure that the number born out-of-wedlock was almost even with those that are born in wedlock. Am I mistaken on that? You might provide it for the record.

Ms. MESSINGER. I will.

We have a thousand new cases of lead poisoning in children each year, and 75,000 reports of child abuse and neglect. One in every 40 New Yorkers is an addict. Treatment slots are available for only one in seven of those who are addicted. And we have now 10,000 confirmed cases of AIDS, of whom 6,000 are already dead, and an anticipation that that scourge will increasingly be concentrated in our substance abuse community, most of whom are poor.

And finally, the single most acute problem for New Yorkers is housing, and the poor are again the hardest hit. New York tenants pay more and more of their limited incomes for shelter that is increasingly inadequate and an increasing number of New York families become homeless and are warehoused in hotels, shelters or other sub-standard units.

We acknowledge today 29,000 homeless, 13,000 of them children whose bed costs exceed $300 million a year. In a policy that is hard to even speak of publicly, the city pays a maximum of $270 a month in rent for a family of four on welfare and close to $2,500 a month to keep the same family in a 10 by 10 foot room in a welfare hotel.

There is no point in more numbers. Our poor are particularly young and they and their families are in great distress in a city enjoying evident prosperity in the richest country in the world. Our poverty is costing us all. It leads to crime, illness and intensified housing deterioration and homelessness. It increases the demand and need for social services. It imposes larger and larger cost burdens on the rest of the society and wastes our single greatest national resource, our people.

In New York, as in so much of the rest of the nation, we are running out of time. The generation that is to pay our Social Security tomorrow needs daycare, education, employment training, wage parity, health care and shelter services today. The businesses that are operating in our city need a trained workforce and need relief from the rising costs of dependency and urban blight.

Senator, your Committee knows the specific program remedies well. I would like, therefore, to speak briefly about the legacy of The Other America and the general lessons that it has for today.

The effects of the Depression in America were substantial. It took World War II and the post-war economic expansion to create

an era of well-being for many Americans. When that happened we swept our lingering pockets of substantial poverty under the rug. It was that poverty that was exposed by Michael Harrington. It was his dramatic juxtaposition of numbers and people, his vignettes of the poor in America in 1962, his clarion call for action that lead to the War on Poverty.

He cut through the veil, laid bare our national secret and stirred our senses of shame and anger in a way that made a difference. He was the impetus for that network of programs put into place—many of them during the Kennedy Administration—which shaped the 1960's and 1970's and had a dramatic impact on millions of Americans.

No, the War on Poverty was not perfect. But as Michael said earlier, the programs that it led to worked. They provided resources for the poor, gave them access to services, and opened up a few avenues for their empowerment. Allowed to expand and develop, they would have made an even more dramatic difference in people's lives. Unfortunately, in the vortex of Vietnam, the nation first turned its attention away from its poor, and then declared war on them.

The War on Poverty was attacked for costing too much, failing to solve the problems to which it was addressed, and putting too much power into the wrong hands. Opponents found it easy to attack the programs, particularly as those acts were linked to promises of tax reduction. Left to their own devices, Americans, like anyone else, would rather pay less now and provide fewer program services for others, even though the economic and social consequences of such choices will ultimately diminish us all.

As a previous generation lived through the great Depression, we might best be described as living through the great "regression," a period in our history when we have moved away from programs we know worked and abandoned the lessons of the last two decades at the expense of millions of our fellow citizens.

Our choices today are hurting children and families, threatening the rest of our society, and leading to a huge expansion of necessary spending on dependency, illness, crime and homelessness. We are hurting ourselves. We are hurting our businesses, which are stifled in their efforts to compete when their employees have no place to live, there is no daycare for the work force they would hope to train and hire, and the fastest growing portion of their budgets is health insurance, at the same time as they have to cover the cost for millions of the uninsured as well.

To some extent we do need new solutions, solutions that take particular account of the special demographics of today's poverty—its intense concentration in cities, its feminization, its youth, its race base and its connection to the state of our economy. But we need to reinvigorate our old solutions, too. We need to recognize the extraordinary legacy of the aborted War on Poverty, salvage its infrastructure, expand its program eligibility, and increase funding in all those critical areas where the mechanisms are simply waiting to be oiled.

For all that to happen there must be the political will. As Michael Harrington shocked and galvanized a naive America in 1962, so we must find the way to reach and inspire a jaded America in

1987, cut through their blind acceptance of a Government of lowered expectations, hear the voices of our own poor, recognize their humanity, and understand the consequences for all of us of not taking immediate action to resolve the crisis in which they and we find ourselves.

[The prepared statement of Ms. Messinger follows:]

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TESTIMONY: SENATE COMMITTEE HEARING

25TH ANNIVERSARY OF "THE OTHER AMERICA"

October 7, 1987

I am Ruth Messinger, Council Member, 4th Council District, New York City. I have represented 210,000 people on the West Side of Manhattan and in Clinton for almost ten years. I am a professional social worker by training, have done extensive work in organizing and advocacy, and am currently an instructor in social policy at the Hunter College and Adelphi University Schools of Social Work. I am privileged to have the opportunity to appear before you on this significant occasion.

Today, twenty-five years after the publication of Michael Harrington's The Other America, and despite the substantial legislative and programmatic changes it wrought, the phenomenon of another America is still very much with us. Today's poverty is different in certain respects, but here and growing, often more visible and more entrenched, and therefore not easily dislodged.

There are many different ways to look at the pervasive problems of poverty in America in 1987, most of them well known to this committee. What I want to do briefly is highlight some of the worst dimensions of poverty in New York City, emphasizing the crises for our children, and then discuss briefly where we might go from here.*

New York is a city of gold for those at the top and a city of despair for many others. We have today more poor, more of whom are children and more of whom are in families where somebody works. The poor cannot meet their basic needs for food, clothing, shelter and health care. There is a much more intense and visible gap between them and the non-poor.

The statistics overwhelm. Today 1.7 million New Yorkers live at or below the poverty line, 44% more than in 1970. Where 14% of the U.S. lives in poverty, almost one-quarter of New York does. The rate of poverty in Black New York is 32%; among our Hispanic population it is 43%.

A full 40% of our children, two out of every five, are poor. This is an increase in the young poor of more than 50% between 1970 and 1985. The rate of poverty among children in New York is more than twice the rate of poverty for the elderly in New York, and is more than 2 1/2 times the poverty rate for children in the rest of the United States.

Almost 900,000 New Yorkers, or 1 in every 8 persons, are on public assistance. In the last decade, the value of their grant fell

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*I am submitting to committee members with my testimony, reports and statements prepared by my office since 1984. These address the feminization of poverty in New York, crises in day care, problems of children in temporary shelter, problems of women on welfare seeking college educations, and the elements of a comprehensive legislative agenda that would meet the needs of women and children in our city.

40% as the consumer price index in New York rose 88% and the median rent increased even more. Benefit levels which in 1975 put these families at the poverty line now leave them 36% below it.

Huge numbers of New Yorkers fall in the abyss above public assistance and below the poverty level, and most of them are from families with a full-time wage earner. The wages for many of the new, highly-touted service industry jobs are often too low to move a family out of poverty, and rarely include health insurance. Only 70% of New York's poor families qualify for Medicaid coverage; there are at least 400,000 persons, including 100,000 children, who have no health benefits whatsover.

Poverty is especially a crisis in the growing number of families headed by women. Between 1970 and 1980 the number of women with children in the city's work force increased by 30%. These families suffer particularly from occupational sex segregation, gross wage inequity--even in the public sector--and the lack of affordable child care.

Women who need to work for their family's economic survival cannot find day care in a city where eligibility criteria are strict, fees high, and slots not available. In New York, today, full time, licensed, publicly-funded day care is available to only 20% of the eligible children under 6 and to only 6.5% of those under 3 who need it. The City spends $202 million in federal and city dollars for child care services, less than it provides annually in property tax abatements to luxury development.

New York schools are suffering from very high absence and drop-out rates and are failing to educate their students for the jobs now

available. A growing number of young people are leaving and/or graduating school and becoming parents with no realistic hope of entering the urban work force. More than 20% of the parents of students entering kindergarten last year had given birth as teen-agers; most of them had never finished school. We estimate that between 1 and 1 1/2 million adult New Yorkers are illiterate.

The crisis in health for New York's poor is severe. Our state ranks 50th in the availability of prenatal care to women of color. In 18% of New York City births there is no timely prenatal care. Not only is the infant mortality rate 14 per 1,000 city-wide, or 25% above the national average, but it is double that national average in five of the poorest communities in the city. We have 1,000 new cases of lead poisioning in children each year, and 75,000 reports of child abuse and neglect. One-third of our school-age children have some disease; 10% of them are estimated to be seriously ill, and only half of these are receiving treatment.

One in every 40 New Yorkers is an addict. Treatment slots are available for only one in seven of our addicts. We have 10,000 confirmed cases of AIDs, of whom 6,000 are already dead. This scourge will increasingly be concentrated in our substance abuse community, almost all of whom are poor.

And, finally, the single most acute problem for New Yorkers is housing, and the poor are again the hardest hit. Costs spiral up, the supply of units shrinks and critical federal subsidies are being phased out. Almost half of New York's tenant population makes less than $15,000 a year; they pay more and more of their limited incomes for shelter that is increasingly inadequate. More than half of the

poor pay more than 1/3 of their income in rent; and against all logic, about 35% of them pay more than 40% of their income in rent.

The consequences are obvious and all too well-known. An increasing number of New York families have become homeless and entered the desperate circumstance of being warehoused in hotels, shelters or other substandard units. Our Human Resource Administration reports almost 29,000 homeless, 13,000 of them children who are housed in welfare hotels at an overwhelming cost of $302 million a year. We have 22% more homeless families this year than we did last. The City pays a maximum of $270 a month in rent to a family of four on welfare, even though it pays close to $2500 a month to keep the same family in a 10 x 10 room in a welfare hotel.

And this count of the homeless barely scratches the surface. There are some 20-30,000 homeless living on the street, some of them also children. There are at least 150-200,000 families living doubled up in circumstances that create serious wear and tear on buildings and acute emotional stress on families. We have 170,000 units of public housing, and a waiting list for that housing of at least 180,000 families; the current wait is estimated to be 20 years.

There is no point in more numbers. Our poor are particularly young, and they and their families are in great distress--without adequate housing, health care, food, education, day care, or employment opportunities--in a city enjoying evident prosperity in the richest country in the world.

And this poverty costs us all. It leads to crime, illness, and intensified housing deterioration and homelessness. It increases the demand and need for social services. It imposes larger and larger

cost burdens on the rest of the society. It wastes our single greatest national resource--our people.

In New York, as in so much of the rest of the nation, we are running out of time. The generation that is to pay our social security tomorrow needs day care, education, employment training, wage parity, health care, and shelter services now. The businesses that are operating in our city need a trained work force and need relief from the rising costs of dependency and urban blight.

This committee knows the specific program remedies well. Some of you are the proponents of solutions that would make a real difference to the nation. You know that we need sex neutral training and job placment services, a phased health and day care service for families of women who work, enforceable child support, comparable worth, a higher minimum wage, expanded day care and afterschool services with decent staff salaries, programs to help the victims of domestic violence, indexed grants, and mandatory health coverage.

More might be mentioned, but I prefer to speak now of the legacy of The Other America and the lessons it has for today. The effects of the Depression on America were substantial. It took World War II and the postwar economic expansion to create an era of well-being for many Americans. When that happened, our lingering pockets of substantial poverty were swept under the rug.

It was that poverty that was exposed by Michael Harrington. It was his dramatic juxtaposition of numbers and people, his vignettes of the poor in America in 1962, his clarion call for action that led to the War on Poverty. He cut through the veil, laid bare our national secret and stirred our senses of shame and anger in

a way that made a difference. He was the impetus for that network of programs which shaped the 60s and 70s and had a dramatic impact on millions of Americans.

No, the War on Poverty was not perfect. But OEO, Medicare and Medicaid, a network of food programs, Model Cities, Head Start and Legal Services worked. They provided resources for the poor, gave them access to services and opened up a few avenues for their empowerment. Allowed to expand and develop, they would have made an even more dramatic difference in people's lives.

This, though, was not to be the case. In the vortex of Vietnam the nation first turned its attention away from its poor and then declared war on them. The War on Poverty was almost immediately attacked for costing too much, failing to solve the problems to which it was addressed, and putting too much power into the wrong hands. Opponents found it easy to exaggerate a few examples of local corruption and believe negative rhetoric about the entire program.

This was particularly the case in the last eight years, when calls by the new right to tighten eligibility and cut funding were linked to promises of tax reduction. Left to their own devices, Americans--like anyone else--would rather pay less now and provide fewer program services for "others", even though the economic and social consequences of such choices will ultimately diminish us all.

As a previous generation lived through the Great Depression, we might best be described as living through the Great Regression--a period in our history when we have moved away from programs we know work and abandoned the lessons of the last two decades at the expense of millions of our fellow citizens. Our choices today are hurting

children and families, threatening the rest of our society, and leading to a huge expansion of spending on dependency, illness, crime and homelessness in our lifetimes.

We are hurting ourselves. Businesses cannot compete when their employees have no place to live. Businesses cannot survive when the fastest growing portion of their budget is health insurance, and they are covering the costs of millions of uninsured as well. We need more American equality to compete effectively internationally.

To some extent we do need new solutions, solutions that take particular account of the demographics of today's poverty: its intense concentration in cities like my own, its feminization, its youth, its race base, and its connection to the state of our economy and our need to expand employment opportunities.

And we need to be imaginative in the face of opposition. When no federal action is possible, we need the federal government to help communicate those state and local programs that work to other jurisdictions eager for change.

But we need to reinvigorate our old solutions, too. We need to recognize the extraordinary legacy of the aborted War on Poverty, to salvage its infrastructure, expand program eligibility and increase funding in all those critical areas where the mechanisms are simply waiting to be oiled.

And for all that to happen, there must be the political will, as there was so recently in the national anti-Bork effort. As Michael Harrington shocked and galvanized a naive America in 1962, so we must find the way to reach and inspire a jaded America in 1987, to cut through their blind acceptance of a government of lowered

expectations. Once again Americans must hear the voices of our own poor, recognize their humanity, and understand the consequences for all of us of not taking immediate action to resolve the crisis in which they and we find ourselves.

(Note: In the interest of economy, additional material accompanying this statement was retained in the files of the committee.)

The CHAIRMAN. Very fine. I think all of you mentioned particular needs in addressing the problems of poverty, whether it is increasing the minimum wage, some kind of protection in the areas of health care, housing, prenatal care, jobs, job benefits, adequate nutrition—the range of different areas of need, and I suppose some special daycare, special programs for the children.

Let me ask sort of a broader question. Why do you think it is that there is so much indifference about the problems of poverty? We ought to probably get Mike Harrington back to join us. We would be glad to have you come back up to this panel.

Maybe that is one question I should have addressed to you before, but given the numbers of children that are living in poverty today and given the general rhetoric of the political dialogue that our greatest resources are children and they are our future—and they are, in my opinion why isn't there greater concern for children expressed in our society? Is it the old adage, that the children do not vote so there is less attention given to them? It is difficult for me to accept that.

All of you have studied this problem and are well-acquainted with it. You have thought about how we are going to deal with it, and have made excellent suggestions. What I suppose I am asking is how do you really get a society to come to grips with what is a real blight on our society?

I will ask Professor Harrington and then maybe each of you would take a crack at it.

Mr. HARRINGTON. Well, I think that one of the huge shifts that took place between the 1960's and the mid-1970's on is in the 1960's the American people were convinced by the Kennedy and Johnson Administrations that social justice was good for the economy, that helping the poor was not simply helping the poor—helping the poor would bid up wages, would bid up housing, would raise the levels of housing, education, et cetera, and therefore these expenditures, you did not grudge them out of generosity, but also out of self-interest.

I think then starting with the malfunctioning of the American economy in the 1970's where after 1973 we had this roller coaster ride of unemployment, inflation, stagnation, loss of industries and jobs and so forth and so on, then I think American conservatives convinced the American people that social justice was bad for the economy, that the reason we got into trouble was we spent all that money on the poor.

I think part of the educational job is to point out, among other things, we did not spend all that money on the poor; that the reason for the economic malfunctioning is much more complex. But finally, I think once again, Senator, I think you put your finger on something that is very important. I think that we have to—I do not want to argue on November 17th simply to help the poor. I want to make the argument that solving the problem of poverty is solving the problem of America, not just the poor; that this is a program which will help the poor most of all, but that all of us will lead richer lives if we do something about poverty. And if we do not, that all of us are going to lead poorer lives.

I think we have to restore that connection between justice and the well-being of the majority of the American people.

The CHAIRMAN. Excellent.

Ms. MESSINGER. I think that is exactly the case. I would only add to that the statistical argument that several of us presented and that is that there is a growing number of people who either officially qualify as poor under the Federal guideline, although they are working full time, or are just over that line but are quite correct in feeling that they cannot afford two more cents out of their paychecks to take care of someone else. And that is a real political problem, because on the one hand they know they are poor, on the other hard, they are insulted if you tell them that indeed the Federal Government defines you as poor.

And they are threatened by the notion of additional programs for people below them on the ladder because they feel—and we all know that they have some historical reason to feel correctly—that they are going to end up paying.

So I think that we need to make it clear that the programs cover that broad universe of the working poor and those who are just above that line and that there are both other places in our tax structure and in our economy from which we will fund some of the programs, and that not funding them will cost everybody more money soon.

The CHAIRMAN. Mr. Greenstein?

Mr. GREENSTEIN. I think there are several issues here. I think there is a hopeful note. If you look at the polling data from the last few years, it really represents a shift. The polling data clearly shows that public support for doing more in these areas, including paying more in tax dollars to fund efforts to do more in these areas, is rising.

I shared a panel last spring with Lou Harris, who had just finished a major poll on this, and he emphasized strongly that these were the most positive polling results he had seen in a number of years in terms of willingness of people to do more in these areas. I think what that is running up against as you know are these massive deficits we have and all of the rules that we have to limit spending and control the deficits. Part of the problem, I think, is we have no had the kind of leadership—particularly in the White House—that says to the public, here is how we can meet these unmet needs and reduce the deficit at the same time.

I think a second issue is that in the 1970's—especially the late 1970's—people were pushed into higher tax brackets by the high inflation. Middle class people felt squeezed, and they really saw a lot of these tax dollars going to these social programs. That is what they believed. I think it was only in the last few years that people learned more than a lot of those tax dollars were going to make up for reduced tax collections from people taking advantage of larger loopholes and incentive provisions and so forth, a number of which were closed last year. I think that sense has eased as well and that is positive.

On the negative side, the same polls that show people saying, yes, we are willing to spend more for the poor, are very skeptical about the ability of Government programs to make a difference. And I think, as Michael Harrington said, a number of us who are concerned about this have not a good enough job in talking about the successes. We have to be frank about those programs that did

not perform as well, but there were a number of significant successes—reductions in infant mortality, increases in elderly mortality rates associated with Medicaid and Medicare, WIC, Headstart and a number of others—and we have not done a good enough job in getting the message across that Government can do some of these things well and make a difference.

I guess my final thought is, we are going to have to increasingly find ways—as you know; I see you as really one of the leaders on this—of how do we do this in an era with high budget deficits. We are going to have to say the public sector and the private sector each have to share part of the burden, as you propose to do in your minimum health care bill and in the minimum wage bill.

People cannot have it both ways. They cannot say, you cannot spend more because the deficit is too high, but the private sector cannot do anything either. And I think that that is an important new approach, and also the kind of approach represented in the Catastrophic Bill where there is a bill that benefits middle income as well as low-income people, but it is self-financed so it does not increase the deficit, and the premiums are income-related so they rise as income increases.

I think that kind of an approach and the kind of approach you are pioneering in things like the minimum health care bill, we have to get more attention to those to show we can do it in a fiscally responsible manner. And we have to get the message across that effective programs can be mounted and they can make a difference and the taxpayers can feel that their dollars are well spent.

The CHAIRMAN. Very good.

Dr. BANE. I think I will answer by restating a couple of things that Michael Harrington said earlier, and the first is that it is not a coincidence that attention to the poor came during the time when there was general economic growth for everybody. It is hard for working and middle class people to express the generosity they feel in their hearts when they are feeling pressed themselves, and as Bob has said, designing programs that keep that in mind is very important.

The second point I would make is that sometimes people's minds—again, to quote Michael Harrington—their minds are not as enlightened as their hearts are generous. The stereotypes of the welfare mothers who do not want to work, the people confined in the ghettos, the drug addicts and so on, have led, perhaps, to a belief that the poor are different from the rest of us, that they are a group whose poverty is somehow their own fault, and that we need not express that generosity towards them.

So I would argue for two things that I think that follow from that. One, policies that are inclusive of more people, and secondly, that we must help to educate the American public as well as ourselves about the facts as they really are.

The CHAIRMAN. Could we go back to an area that each of you has touched on, but one that I think needs illuminating? That is, the issue of the "myths" of poverty. I believe Bob Greenstein pointed out, and I know Professor Harrington did too, that there are some general misperceptions regarding the characteristics of people in poverty. I think it is worthwhile for us to examine, for a few minutes, the various myths.

Maybe I ought to ask Dr. Bane if she would start, and then the other members of the panel, if you might elaborate on that subject a little bit. What do you consider to be some of the myths? We heard earlier during the course of the hearing that the general public believes that generally the poor are lazy individuals of a minority race. You know the stereotypes. And yet we know for a fact that two-thirds of the poor are white, and a lot of them are working.

I think it is useful to try and really fill in the whole picture. I am convinced that we have got to understand the problem more completely if we are going to be able to be effective in trying to deal with it.

Dr. BANE. Yes. I will not restate the things that we have already said, except to perhaps comment on another important myth which is the myth that welfare is the problem and not the solution, i.e., the myth that it has been in some way the growth of welfare programs over the past decade or so that has led first to the increase in the proportion of female-headed families and because of that, to the increase in poverty.

So the myth says welfare programs led to changes in family structure and led to more poverty; but as Bob pointed out and I have done some work on this too, it now seems clear that at least in the last decade, the growth in family structure has not been the main contributor to poverty. It is also pretty clear that welfare programs have not been the main contributor to the changes in family structure.

We did a gigantic experiment since 1975 in lowering welfare benefits and it did not seem really to make the problems of welfare or poverty better. And when you think about it, if you think of what is bringing young women to have children out of wedlock, to have lives which do not look to us like the lives they should be leading, they do not sit down and make a calculated decision about whether they are going to get $500 a month in welfare or $300 a month in welfare benefits.

Usually it is not a decision at all. Oftentimes it is a reasonable, though short term, assessment of the alternatives; what are my opportunities to marry, to have a decent job, to get good education? In a short term kind of way it can look like a better alternative. And it is that whole set of opportunities, not whether welfare benefits are lower, that is important.

Our research just did not show very much relationship between welfare and family structure, and even if there is a small relationship, it is not nearly enough to justify the kinds of cuts in welfare benefits that we saw since 1975 and that some people are talking about. So I think that is an important part of the myth that is worth just saying again and again, what the facts are.

Mr. GREENSTEIN. I think we have covered a number of them. There are a couple of things I would add. In the research that Mary Jo and David Ellwood did, for example, I recall they found that from 1972 to 1980, if I remember correctly, the number of black children in female-headed families went up 20 percent but the number of black children on welfare went down 5 percent. Now, this is not a picture where welfare is causing the increase in the female-headed families.

Another interesting figure that people often forget is that the adults who are on welfare comprise only one-quarter of the adult non-elderly poverty population. Three-quarters of the adults who are poor, the non-elderly adults who are poor, are not welfare recipients. They often are completely forgotten.

I also think there is a considerable degree of misunderstanding and confusion, the myth about the trends in black areas, black inner cities in particular, and what is happening there. There is some very interesting work on this being done by William Wilson at the University of Chicago. But what he has highlighted is the importance of the changing employment prospects of young black men. There is a certain fear, I think, of young black men, but not an understanding of what has happened with them in relation to the economy.

If you look back 20 or 30 years ago, they had much higher employment in labor force participation rates than they do today. But you also find, for example, that in 1950 about half of all of the teenage employment jobs in the country for black teenagers were agricultural employment, predominantly in the South, that disappeared when southern agriculture was mechanized.

And then you also find that when you look at the industries that have declined, the manufacturing industries, that they had often disproportionately black work forces. Blacks often moved north from the South to take those heavy industry jobs. That has been particularly true in the Midwest, and when you look by region, you find startling increases over the last decade in black poverty rates among black men in the Midwest in particular. And it seems tied to this.

I certainly do not know exactly what the answers are here, but we need to think more as our economy continues to move from a manufacturing to a service economy, that there are trends, changes in the economy going on here that are having profound effect on black male employment and therefore on black marriage rates and female-headed families. We talk entirely about welfare and we do not talk enough about those other factors.

Ms. MESSINGER. I would just add—the local dimension.

This growing universe of jobs that to some extent do account for some of New York City's apparent economic health are not adequate to address the problem. They do not pay enough for families and they have virtually no upward mobility health coverage.

And there is the special problem of welfare for women with children. It seems pretty clear to me that a dramatic investment of whatever dollars in New York City daycare would free up a dependent and frankly quite desperate population to go out and get work.

As I said before, the jobs are not yet perfect and they are not well-enough trained for the better jobs, but you would see people move into the world of work and get off of welfare and it would be an investment that would pay off so quickly that in fact I think we could turn the mythology around.

Mr. HARRINGTON. One of the problems we have here, Senator, is the four of us have been stealing from one another for years and when you put us together, you know, it is very difficult when the people I have been stealing from are right there. [Laughter.]

But two very quick points. One is—and I was out during some of the testimony; I hope I am not repeating something—the homeless. There was a study by the National Bureau of Economic Research which came out in, I think, December of 1986. And I cite it because, among other things, it has got the lowest estimate of the homeless that anybody has. That is to say, it is far from a radical study. It is the kind of study that most of the homeless advocates would regard as being much, much too soft and moderate.

They address the problem of emotional and mental illness among the homeless. I think so many Americans think—and part of it is based on their experience—that the homeless are primarily exmental patients. I have even heard some people say, let's send them back to the asylum, that is the way you deal with the problem.

This National Bureau of Economic Research study indicated that about one-third of the homeless do have severe mental and emotional problems, which is a much higher rate than the population as a whole. Two-thirds do not. And I think one of the reasons why that myth has flourished so much—they are only mental patients—is that the minute you realize that two-thirds are not, then you have to address another issue.

It is called housing. And nobody wants to talk about the fact that a lack of affordable housing is one of the main causes of homelessness in the United States. And here again I think you have got a problem that links the middle class and the poor, because right now young middle class couples are discovering that they are being priced out of the housing market. I think our argument here has to be not simply housing for the poor, housing for Americans, among whom we include the poor.

The second and last point, very briefly, one of the things that we are trying to do that we have actually done at "Justice for All"—Bob, indeed, was one of the people who helped us on it, part of our mutual stealing cabal—we have got a primer which is being printed up by the Campaign for Human Development for us and I just would hope on—I would say if on November 17th we did nothing but get the American people to understand who welfare mothers are, who the homeless are, who the working poor are—if we did nothing but get some of these ABCs out, and did not convince a single person of a single legislative proposition, but changed myths, I think that that would then lay the basis for a completely different political atmosphere in this country.

The CHAIRMAN. Well, I want to thank all of you very much for your testimony and your presence here today.

Professor Harrington, Senator Metzenbaum and I are going to introduce a resolution, commending the organizers and participants of "Justice for All", November 17th. I am sure I speak for Senator Metzenbaum, in saying that we are going to try and do a lot more than a resolution in terms of health, housing, the minimum wage, nutrition, and the homeless. But we will fashion that resolution. We will seek your counsel about its content.

We want to thank all of you very much for an excellent presentation and startling statistics. Your description about what is happening out there is a matter, and should be a matter of enormous concern to Americans. Hopefully we can, by working together, help

to put the spotlight on this problem, which I think is necessary if we are going to be productive in dealing with some of the real needs of America's poor.

I want to thank all of you very much for your presence.

The record will remain open for the submission of further statements.

Our committee stands in recess.

[Whereupon, at 12:35 p.m., the committee adjourned subject to the call of the Chair.]

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